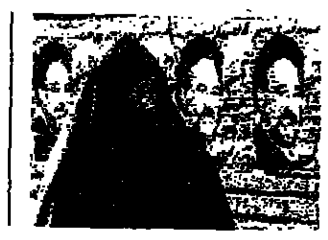
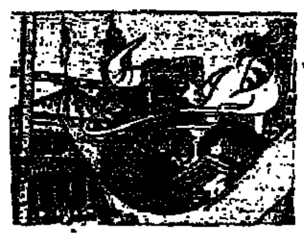
FINANCIAL TIMES

Red chips
Hong Kong bulls rush for China stock
Page 8



Iran election
Islam goes to the ballot box
Page 4



Survey
International Capital Markets
Separate section

FT WEEKEND
What happened to the peace?
TOMORROW

World Business Newspaper http://www.FT.com FRIDAY MAY 23 1997

Eurotunnel gets the go-ahead on freight services

Eurotunnel has been given the go-ahead to resume freight shuttle services through the Channel tunnel, the company said last night. The tunnel's supreme body - the Anglo-French Intergovernmental Commission - gave the green light after accepting Eurotunnel's proposals to restart the services, cancelled after last November's fire. The company has completed a £38m ($61.56m) repair programme.

World phone quest: Vodafone, the UK's leading mobile phone operator, and Qualcomm of the US are collaborating in trials which could lead to the emergence of the first true "world phone" capable of functioning equally well in the US, Europe or Asia. Page 10

Chips decline hurts NEC: NEC, the integrated electronics group, suffered a 20 per cent decline in group pre-tax profits as strong sales of telecommunications equipment failed to offset a large decline in its semiconductor business, hit by falling prices. Page 25

Italian telecoms privatisation on track: The privatisation of Italy's 62 per cent stake in Stet, the telecoms group, looks set to happen after more than three years of false starts. The Senate cleared a big hurdle by approving legislation to set up a combined telecoms and TV regulatory authority alongside measures to liberalise the sector. The law is expected to be passed before the end of July as result of a deal struck between the centre-left Prodi government and the rightwing opposition headed by Silvio Berlusconi (left). Page 24; Political hat-trick, Page 2

Albanian vote: Albania's squabbling political parties bowed to international pressure and agreed to go ahead with a general election called for June 29. In Slovakia, meanwhile, a referendum on whether the president should be directly elected was in doubt as government and opposition clashed over the interpretation of a court ruling. Page 3

Textile jobs losses: Up to 860,000 jobs could disappear over the next few years in the EU's textile, clothing and leather industries due to increasing global competition. The forecast comes in a trade union action programme which will be agreed today at a conference of the European Trade Union Federation in Oporto. Page 6

Online copyright: The European Commission is finalising a draft directive to ensure that the copyright owners of intellectual properties such as music and films receive full legal protection over the internet or on other digital networks such as high-speed cable TV systems. Page 4

Dutch alarm at gold scheme: The Dutch presidency of the European Union expressed alarm at the German government's plan to revalue gold reserves as a way of meeting deficit targets for single currency membership. Page 2

German jobs drive: Twelve months after the collapse of a tripartite effort to revitalise the German economy the government, business and trade unions have forged another alliance aimed at boosting employment. Page 2

Czechs defend currency: The Czech central bank was forced to intervene heavily on foreign exchanges after the koruna suffered another furious speculative attack. Page 3; Currencies, Page 33

EU pushes to open gas market: European Union energy ministers may hold a special meeting next month to try to agree long-delayed plans to open the EU's $100bn gas market to cross-border competition. Page 3

Rattner for Lazards: Media banker Steven Rattner has emerged as the successor to Felix Rohatyn, the star deal-maker of Lazard Frères, New York, who is due to become ambassador to France. Page 25

New roles in Bosnia: Nato-led troops in Bosnia will take on new roles including helping to promote refugee returns and restoring telecommunications links, US secretary of state Madeleine Albright said. Page 2

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,261.84	(-28.85)
NASDAQ Composite	1,370.72	(-3.03)
Europe and Far East		
CAC40	2,741.65	(-44.70)
DAX	3,579.42	(-16.67)
FTSE 100	4,651.8	(+9.8)
Nikkei	19,877.39	(+35.41)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.124%
Long Bond	95 15/32
Yield	6.983%

OTHER RATES

UK: 3-mo Interbank	6 15/32%	(6 7/16%)
UK: 10 yr Gilt	99 25/32	(100 3/32)
France: 10 yr OAT	98.06	(98.34)
Germany: 10 yr Bund	100.62	(100.79)
Japan: 10 yr JGB	103.0905	(102.8794)

NORTH SEA OIL (Argus)

Brent Dated	$20.115	(19.76)

GOLD

New York Comex	$342.8	(343.1)
London close	$343.25	(342.85)

DOLLAR

New York: lunchtime		
£	1.62705	
DM	1.694	
FFr	5.705	
SFr	1.41275	
Y	115.75	
London:		
£	1.6345	(1.6487)
DM	1.6933	(1.695)
FFr	5.702	(5.7085)
SFr	1.4105	(1.4127)
Y	115.935	(114.24)
Tokyo close:	Y 115.05	

STERLING

DM	2.7677	(2.7945)

Russia to offer diamond rights

Moscow opens one of biggest untapped sources of gems to foreign companies

By John Thornhill in Moscow

Russia is to hold an international tender this year for the rights to develop the Lomonosov diamond deposits, believed to be one of the biggest untapped diamond resources in the world.

The Lomonosov field, in northern Russia on the edge of the Arctic circle, could contain up to $12bn-worth of precious stones.

Its development would significantly bolster Russia's standing in the world diamond industry and create a powerful mining centre to rival that of Sakha, formerly Yakutia, in Siberia.

De Beers, the South African diamond company which dominates the diamond industry, has for months been negotiating to buy a stake in the Severalmaz company, which owns the licence to develop the deposits, and has been prospecting in the nearby area.

But other multi-national corporations, such as Rio Tinto, the British mining group, are likely to compete for a share of the exploitation rights to Lomonosov.

Mr Victor Chernov, a minerals industry official in the Archangelsk area, said it was unlikely that Almazy Rossii-Sakha, Russia's leading diamond producer, would participate in the tender.

The announcement of the tender highlights how Russia is opening its rich natural resources to international participation in spite of opposition from nationalist MPs, determined to defend their country's birthright.

A revised production sharing agreement for the oil industry has recently been adopted by parliament, easing the way for foreign corporations to make multi-billion dollar investments. The government has promised to give international companies access to Russia's vast gas deposits.

However, such projects have been dogged by bureaucratic delays and the difficulties of dealing with Russia's unpredictable tax and legal systems.

Mr Yevgeny Yasin, a minister for economic affairs, said yesterday that the recently-reshuffled government was committed to improving the investment climate for foreign and Russian investors but would have to speed up its efforts.

The development of a stronger Russian diamond industry would make it more likely that the country would break with the De Beers diamonds cartel.

Mr Anatoly Chubais, the first deputy prime minister, said it would be in Russia's short-term interests to resume its exclusive selling agreement with De Beers. A previous agreement broke down at the end of last year but a renegotiated deal is expected to be signed within weeks.

Mr Chubais suggested Russia would be powerful enough to sell its diamonds directly on the world market. "Today it is advantageous for us to work with De Beers and we are working with them," he said. "But tomorrow it will not become advantageous for us. Then it will be good-bye."

The diamond deposits in the Archangelsk area were surveyed during the Soviet era but few details have been released. The industry was one of the most secretive enclaves in the Soviet economy.

But three years ago, the Izvestiya newspaper reported that the Lomonosov site contained enough diamonds to produce up to 6m carats a year for the next 40 years.

Brussels and UK to work for accord on airline deal

By Emma Tucker in Brussels

The European Commission and the UK government have signalled that they are working towards a common stance on the controversial alliance planned by British Airways and American Airlines.

The move follows a meeting in London earlier this week between Mr Karel Van Miert, European Union competition commissioner, and Mrs Margaret Beckett, UK trade and industry secretary, to discuss competition concerns raised by the proposed link-up.

Earlier this year a row flared between Brussels and Britain's then Conservative government, which had insisted that only London had jurisdiction to vet the alliance.

Brussels had retorted that its concerns about the impact of the deal on competition in the European airline market had to be taken into account, and that it had a right to demand changes under the EU treaty.

Yesterday, EU officials re-emphasised that the Commission still had profound reservations about the deal, which will create the world's largest airline group.

But they denied suggestions that a stalemate would be reached between the British government and the Commission.

Expectations of a Brussels-London rapprochement were reinforced by comments from British officials who said conflicting decisions would not be in anyone's interests.

"We recognise that the Commission has a role and we recognise that we have to reach a common analysis," said a British diplomat.

Both Brussels and the British government have said the deal raises profound concerns over competition.

Last October, the Commission sent the companies a list of its objections to the alliance.

These included the fact that the BA-AA market share would be between 74 per cent and 100 per cent on 17 routes between the UK and the US.

They would be the sole operator on routes such as Heathrow and Boston.

Central to the Commission's argument was the fact that Heathrow serves as a hub not just for the UK, but for the whole EU.

It points out that 40 per cent of passengers flying to the US from the EU go via London's Heathrow airport.

Brussels also objected to the number of slots that the allied companies would control at Heathrow.

The Commission dismissed a

Continued on Page 24

Yeltsin fires his top military men in pursuit of reform

A grim-faced President Boris Yeltsin, above right, forcefully reasserted his presidential authority yesterday when he fired Russia's two leading military figures because of the state of the armed forces.

Standing on the left during a meeting of the Russian Defence Council is Mr Igor Rodionov, who was removed as defence minister after he was told that he was doing nothing to implement improvements to the military. Also sacked by the president was General Victor Samsonov, head of the general staff.

Mr Yeltsin has demanded that the 1.7m-strong conscript army should be transformed into a smaller professional force by the end of the decade, a view contested by the general staff which says more funds are needed. Report, Page 24

Picture: AP

Japanese attack Sydney bed tax

By Nikki Tait in Sydney

Japanese hotel owners, who control some of the largest and most prestigious properties in Sydney, yesterday criticised a plan by Australia's New South Wales state government to introduce a 10 per cent "bed tax", saying it was a "total breach of our confidence" and could endanger "economic viability".

The government's move, which will raise about A$50m ($38.7m) a year, was attacked by the tourism industry as hampering growth prospects in the lead-up to the Olympics Games, scheduled to be held in Sydney in 2000.

Unlike most countries, Australia does not generally tax services. But the NSW state government broke ranks when it announced earlier this month a 10 per cent levy on city-centre hotels in Sydney from September 1.

The move came as part of a 1997-98 budget package and allowed the government to forecast a small surplus.

The only other "bed tax" in Australia applies in the sparsely populated Northern Territory, where a 7.5 per cent levy goes directly into tourism promotion.

The protest moved offshore yesterday with Japanese owners of the ANA, Renaissance, Nikko Darling Harbour, Ritz-Carlton Double Bay and Old Sydney Parkroyal hotels uniting in a joint letter of protest to the state premier.

"From our discussions with major Japanese tour operators, a significant number of tourists will change their minds and not visit Sydney or will shorten their stay here," the Japanese investors warned. "Existing returns on investment of our hotels are unsatisfactory. This tax will further endanger our economic viability."

The Japanese market is crucial to Australia's tourism industry. About 20 per cent of the 4.2m short-term visitors to the country last year came from Japan, compared with 16 per cent from New Zealand and 9 per cent from the UK.

The Japanese hotel owners say they are particularly aggrieved because they co-operated with the government over provision of hotel space for the Olympics. The city's scarce resources are likely to be stretched to the limit, and there is already talk of housing some visitors on cruise ships in Sydney Harbour.

"It is unfortunate that some of our hotels have already signed Olympic contracts," the Japanese owners said.

Cotton import row threatens European summit

By Lionel Barber in Brussels and John Kampfner in London

A row over European Union anti-dumping duties on unbleached cotton imports from China, India and Turkey threatens to dash hopes of a harmonious European summit in the Netherlands today.

President Jacques Chirac of France, under pressure from the textile lobby in the run-up to Sunday's parliamentary elections, is considering a request to review an EU decision against imposing penalties.

However, the Dutch, who hold the presidency of the EU, believe such a request could poison the atmosphere at the Noordwijk summit, the purpose of which is to accelerate negotiations in the intergovernmental conference (IGC) in June and to offer a welcome to Mr Tony Blair, new British prime minister.

Mr Blair will make his debut on the international stage by warning heads of EU institutions and governments that their integrationist zeal is out of touch with their voters.

He will use the mini-summit in Noordwijk – a precursor to next month's Amsterdam conference on institutional reform – to introduce his concept of a "people's Europe".

Mr Blair's debut could be overshadowed by the row over bleached cotton imports, which has grown into a stand-off between the Anglo-Dutch-Nordic free trade bloc and the French-led protectionist camp from the south, with Germany caught in the middle.

EU diplomats said the repercussions would be felt in the IGC and could damage the European Commission's chances of extending its right to negotiate on behalf of the EU in the fast-growing trade areas of services and intellectual property.

The dispute arose last Thursday on the eve of a vote by all 15 EU member states on whether to turn provisional

Continued on Page 24
German gold, Page 2
Ballots and bullets, Page 22

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

German drive to create jobs in east

By Frederick Stüdemann in Berlin

Twelve months after the collapse of a tripartite effort to revitalise the German economy, the government, business and trade unions have again forged an alliance aimed at boosting employment, this time in the country's eastern regions.

The "common initiative for more jobs in eastern Germany" unveiled yesterday by Chancellor Helmut Kohl aims to create 100,000 jobs a year in the region starting next year through more flexible wage agreements and an increase in investment and purchasing in the east by western companies. For its part, the federal government has said subsidies to those investing in the east will be continued until the year 2004.

The announcement of the "common initiative" comes amid faltering growth and a continuing lag in productivity in eastern Germany. This year, according to the German Institute of Economic Research (DIW), growth in the region would be barely more than 1 per cent, well below the 4-5 per cent a year growth needed if east Germany is to catch up with the west.

Unemployment in east Germany stood at 17.5 per cent in April, 7.7 per cent higher than the rate in the west. Mr Manfred Stolpe, president of the eastern state of Brandenburg, warned yesterday that unemployment had become "a very real danger to social peace in our country."

The commitment by employers and trade unions to loosen the system of collective industry-wide pay agreements forms the centrepiece of the "common initiative", and points to the possibility of eastern Germany leading the way to reform at national level.

Both Chancellor Kohl and Mr Dieter Schulte, head of the German trade union federation (DGB), yesterday acknowledged a chance existed that some elements of the "common initiative" could be carried west.

Last weekend, Mr Schulte caused a stir in trade union circles when he called for a more flexible approach to collective pay bargaining.

Employers' groups, who have long been calling for more flexibility in the pay bargaining system, welcomed Mr Schulte's remarks. For employers, the spread of localised pay agreements in eastern Germany has increasingly been seen as a model for the whole country.

Already, more than 60 per cent of east German employers have deserted the collective pay bargaining system for wage deals set at factory level.

The result has been a significant reduction in business costs. According to the Bundesbank, east German wages negotiated collectively were roughly 90 per cent of those in the west in 1996; those negotiated locally were only 77 per cent.

■ INTERVIEW

Delors shrugs off Emu fears

Leftwing election win 'would not endanger monetary union'

By David Buchan in Paris

A leftwing victory in the French election would solidify rather than endanger Europe's planned monetary union, because the Socialist leadership is as committed to the Maastricht treaty as its centre-right opponents, Mr Jacques Delors, the former European Commission president, claimed yesterday.

In an interview, Mr Delors, the French Socialist who was the chief architect of Maastricht's monetary union blueprint, dismissed fears, raised this week by President Jacques Chirac, of a crisis in France's European relations in the event of a leftwing victory.

"The important thing that has come out of this campaign is that our [foreign] partners no longer question France's commitment to economic and monetary union (Emu), because the three biggest parties – the Socialists, the [Gaullist] RPR and the [centre-right] UDF – have shown they are for the application of the Maastricht treaty," he said.

Speaking ahead of Sunday's first round of voting in the parliamentary elections, Mr Delors estimated that these three parties would win around 75 per cent of the vote. "To find higher support [for Emu], you would have to go to Italy or Belgium."

As for the Communists – allied to the Socialists in this election – Mr Delors made clear they would have to toe the Emu line drawn by Mr Lionel Jospin, the Socialist leader.

"Right from the start, Mr Jospin has said that if the left, the centre-left, wins, it is for the Communists to decide – yes or no – whether they want to apply Maastricht on conditions fixed by the Socialist party," he said.

If, however, his Socialist party were to cave in to Communist pressure by deviating from its pro-Emu line, then Mr Delors, who retains one of the highest positive poll ratings among French public figures, has indicated he would put Europe above party and would denounce his errant colleagues.

At the heart of the campaign controversy have been the Socialists' four "conditions" that Emu should provide for an "economic government" by EU ministers to balance the independent European Central Bank; should promote jobs and growth; should ensure the future euro currency is not over-valued against the dollar; and should include Italy and Spain.

Mr Delors said the first two "conditions" were encompassed within the Maastricht treaty. It provides, in Article 103, for a balance to the central bank by leaving European governments to set macro-economic policy guidelines.

Delors: three main French parties are committed to Emu, he says Reuter

The only change Mr Delors would make would be to take the subsequent "stability pact" (covering financial disciplines and agreed at German insistence last year), elevate it to the status of a formal protocol and add to it by spelling out what Article 103 would mean in practice. Mr Delors stressed that, at bottom, "the only real condition is full application of the treaty; the rest are objectives" shared by most people in France.

Mr Delors saw these concerns gaining support outside France. He said Mr Karl Lamers, a senior member of Chancellor Helmut Kohl's Christian Democratic Union in Germany had this week said "economic government [of Emu] is an excellent idea".

Mr Delors insisted he had no desire to enter the UK's debate on participation in Emu. "But let's suppose that if in the future Emu is seen to be running well with a good dynamic behind it, and if Tony Blair is still in power, then from what I know of him, I think he would be close to the present French position."

While noting Labour's decision to give the Bank of England "more room for manoeuvre", Mr Delors detected "a reticence among the British as among the French about not having a counterweight to the monetary authorities".

Drawing on a recent paper commissioned by Notre Europe, the research unit he has created in Paris, Mr Delors said that if over the past five years there had been an "economic government" to match the European Monetary System with co-ordinated economic policies, growth would have been 3 percentage points higher in Europe.

French right sees hope in economy

By David Buchan in Paris and Andrew Jack in Lyons

France's ruling centre-right yesterday claimed a pick-up in the economy and a declining budget deficit as it battled on towards Sunday's first round of voting in the parliamentary elections.

After Mr Lionel Jospin, the Socialist leader, warned of the "alarming reality" of France's public finances, Mr Jean Arthuis, the finance minister, said the narrowing of the budget deficit in February-March – some FFr38bn ($6.6bn) below the level in the same period a year earlier – "seems to have continued in April". The minister also repeated his earlier claim 1997 growth would probably exceed the government's 2.3 per cent target to hit 2.5 per cent.

Mr François Léotard, president of the UDF component of the ruling coalition, forecast if the centre-right were returned to power in the final June 1 run-off vote, the new government would hold a special parliamentary session in July to prepare the 1998 budget and to set out its broad goals to govern the country until 2002.

Mr Léotard joined Mr Alain Juppé, the Gaullist RPR prime minister, in Lyons last night for a last big show of coalition solidarity before Sunday's vote.

The Paris Bourse closed yesterday 1.6 per cent down on the day, partly on rumours of secret polls showing the government's lead narrowing. Despite the ban on polls in the final week of a campaign, pollsters are continuing surveys, some of which have been posted on the internet.

EUROPEAN NEWS DIGEST

New roles for Bosnia force

Nato-led troops in Bosnia will take on new roles to advance peace, including helping promote refugee returns and restoration of telecommunications links, Mrs Madeleine Albright, US secretary of state, said yesterday.

She announced the change during a US senate committee appearance in which she said the US had decided to rededicate itself to full implemention of the 1995 Dayton peace accords. The US troops, the biggest component of the Bosnia peacekeeping force, are due to leave in June next year. *Reuter and AP, Washington.*

Bonn eases beef controls

Germany has lifted its ban on the sale or slaughter for human consumption of descendants of cows imported from Britain and Switzerland.

The ban was imposed in January amid fears about the transmission of BSE, or "mad cow" disease, from mothers to calves. Agricultural representatives from the federal and state governments agreed the move in Bonn yesterday on the basis that Germany remained BSE-free and all five cases in the country to date had involved imported animals. *Ralph Atkins, Bonn*

Shares probe scaled down

The investigation into possible insider trading by employees of the German business software company SAP has produced no evidence of widespread abuse, both the company and prosecutors announced yesterday. The probe is likely to last only a few more weeks, instead of a year as initially expected, and involves no top-ranking employees.

Mr Job Tilmann, spokesman for the Frankfurt prosecutor's office, said its officials were concentrating on four employees in the "secondary insider" category with no direct access to market-sensitive information. Initially, more than 100 potential insiders had been under suspicion. The investigation was based on evidence of sales of shares ahead of an announcement last October that SAP would probably not meet its earnings forecast. *Andrew Fisher, Frankfurt*

IMF voices Greek concerns

The International Monetary Fund has warned the Greek Socialist government against "complacency" over declining inflation and improved output growth. In its annual report on the Greek economy it says deep spending cuts and a more determined privatisation policy are needed for standards of living to catch up with the rest of the European Union.

The report notes that core inflation, which does not include volatile food or fuel prices, has stopped falling despite a sharp fall in headline inflation from 6.8 per cent in January to a projected 5.5 per cent in May.

The economy ministry has revised its forecast for growth in gross domestic product from 3.3 per cent to 3.7 per cent this year, citing a recovery in tourism, Greece's biggest industry, and faster disbursement of EU grants for modernising roads, harbours and airports.

The IMF points out, however, that "the budget deficit was higher than targeted, reflecting both revenue shortfalls as well as a significant overrun in the civil service wage bill". It forecasts another revenue shortfall this year. *Kerin Hope, Athens*

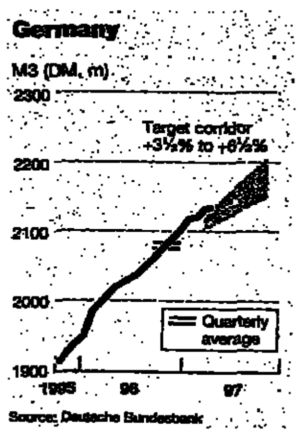
Swiss deny Nazi charge

Switzerland has denied that its business deals with Nazi Germany prolonged the second world war and has strongly defended its wartime policy of neutrality.

In its first detailed response to a critical US government report, the Swiss government attacked descriptions of Switzerland as the Nazis' banker as "one-sided" and said that allegations the Swiss had helped prolong the war were "unsupported" by the evidence. The Swiss government accepts that its faint-hearted refugee policy towards the Jews was "inexcusable" but disagrees with the assertion in the report that neutrality and morality contradicted each other at the time in question. Swiss neutrality meant that it could assume wide-ranging humanitarian tasks for the Allies such as visiting prisoner-of-war camps in Germany and Japan.

The Swiss had demonstrated their humanitarian commitment with the SFr200m ($140m) donation to war victims which was not even mentioned in the report. *William Hall, Zurich*

German M3 growth tumbles



German money supply growth slowed more sharply than expected in April, with M3 growing at an annualised rate of 6.7 per cent, approaching the Bundesbank's target range for the full year of between 3.5 per cent and 6.5 per cent. This compares with growth rates of 9.1 per cent in February and 8.3 per cent in March. The rates are calculated from the average M3 level of the fourth quarter of 1996. One reason for the slowdown was stronger monetary capital formation, in which funds move out of short-term deposits within the M3 definition into longer term securities. UBS global research said the shift of funds out of M3 was caused by last month's stronger bond market. It added that the M3 slowdown should have no immediate impact on interest rates. *Andrew Fisher*

■ The west German business climate index rose to 94.7 in April from 92.6 in March, and was up from 87.4 a year earlier, the Ifo economic research institute said.

Dutch express alarm at German gold scheme

By Gordon Cramb in Amsterdam

The Dutch presidency of the European Union yesterday expressed alarm at the German government's plan to revalue gold reserves as a way of meeting deficit targets for single currency membership.

"Germany must meet the criteria in a decent way," said Mr Gerrit Zalm, finance minister. "I cannot conceive that Germany will put its reputation for soundness at risk. I trust that Germany will achieve the goal of a maximum 3 per cent deficit for 1997 not through a one-off profit handout from the Bundesbank but by restricting spending and raising taxes."

His warning in an interview with NRC Handelsblad, the Netherlands' main evening daily, came as EU leaders prepared to gather in the Dutch seaside town of Noordwijk today for an informal summit. Confirming the thrust of the minister's remarks, officials said Mr Zalm aimed to go to Bonn soon to hear directly from Mr Theo Waigel, German finance minister, what his intentions were.

"It revolves around the credibility of the German position," Mr Zalm said. "Mr Waigel has always warned other countries that the criteria will be applied strictly and durably. That goes for all countries, including Germany and the Netherlands."

"This plan evokes unease. I cannot imagine that Germany wants to take this route to qualify for Emu as regards the budget deficit. It causes me concern that this sort of measure is being contemplated."

While rejecting any notion that the next stage of Emu should be delayed from its scheduled start in January 1999, he said the Germans had other options for meeting the criteria. For example, a previously rejected proposal to increase petrol duties could be revived.

"Only if you yourself qualify in a correct manner can you set requirements. Otherwise you lose your moral authority. Germany and the Netherlands owe it to themselves to ensure that Emu does not get off to a bad start, with all the damaging consequences that would have."

Poll suggests a close vote in Irish election

By John Murray Brown in Dublin

The first opinion poll of the Irish general election campaign suggests the vote on June 6 may produce one of the closest results in years.

While the opposition Fianna Fail-led alliance would appear ahead, support for the outgoing coalition has increased, and 16 per cent of those polled are undecided.

The standing of the individual parties remains broadly unchanged, suggesting the populist Fianna Fail and right-of-centre Progressive Democrats will have enough seats in the 166-seat Dail, or parliament, to form a government. But the Fine Gael-led government has closed the gap by 6 points to 38 per cent, against 44 per cent for Fianna Fail-PD.

Fianna Fail has largely set the agenda for the first week, focusing on the issue of tax, but has failed to expose differences between the conservative Fine Gael and its leftwing partners, Labour and Democratic Left.

The abortion issue has resurfaced, causing some discomfort for both the main parties. In an unexpected intervention the Archbishop of Dublin, Dr Desmond Connell, called for a new referendum - a move criticised by Mr John Bruton, the prime minister, who favours dealing with the issue through legislation.

But, with so little to choose between the parties, the result is likely to turn on how well they maximise their support under Ireland's system of single transferable vote. This allows voters to use their second and third preferences to choose a coalition. In 1992, Fianna Fail, the largest party, is believed to have lost 6 or 7 seats through mismanaging its vote.

The Fine Gael-led coalition currently holds 84 seats, while Fianna Fail and the PDs have 76. One prediction is that the result could depend on the Dublin middle class, who voted decisively for Labour in 1992 and for the PDs in 1989. Mr Michael Laver, professor of political science at Trinity College Dublin, believes the result could be so close the Greens, who currently have one deputy, could find themselves with the balance of power.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address

GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

Government, opposition and media operators all get a piece of the action, writes **Robert Graham**

Italian telecoms deal scores a political hat-trick

Italian politics all too often seem to be the art of the impossible – trying to make everyone happy while producing good law.

The new legislation regulating telecoms and television is a classic case in point. After a confused and bitter battle between government and opposition lasting two and a half years, an agreement has been stitched together that gives enough to satisfy each set of interests. But it is far from clear whether the compromise has produced an intelligent law liberalising the fast expanding world of telecoms and multi-media.

The law, approved yesterday by the senate, has to go before the chamber of deputies. This will lead to some fine tuning. But the centre-left government has already forged an agreement with the rightwing opposition that:

- rewrites the anomalous 1990 law regulating the number of TV channels;
- accommodates a December 1994 constitutional court decision limiting the number of commercial stations controlled by Mr Silvio Berlusconi's Mediaset; and
- paves the way for liberalisation by establishing a new TV/telecoms regulatory authority and allowing telecoms and TV companies to move into each other's territory to exploit new multi-media opportunities.

The outcome is far more favourable to Mr Berlusconi's business interests than at one time he might have hoped. As a result it is hard not to see a broader political trade-off whereby the benefits Mr Berlusconi's Mediaset obtains in the TV/telecoms field will be repaid by his opposition coalition in the form of support for the government on privatisation and constitutional reform.

The deal is the result of two different pressures. On the one hand, both telecoms and TV companies have had to adjust to the impending opening up of the domestic market imposed by European Union directives.

On the other, the politicians have had to come to terms with the unorthodox manner in which the Rai state broadcasting organisation established a TV duopoly with Mr Berlusconi's three commercial channels. This meant that once Mr Berlusconi entered politics in 1994, parliament was obliged to resolve the conflict of interest between his role as a politician and his ownership of a media empire that controls almost 45 per cent of the national TV audience.

Mr Berlusconi did nothing serious to resolve this when he was premier in 1994. Since then he and his allies in the rightwing opposition have devoted much of their parliamentary energies to ensuring Mediaset was not penalised by a constitutional court decision which threatened to remove at least one of his channels and cut his advertising revenues by a third. Agreement should have been reached last August but the deadline was postponed by another year.

The new law permits Mediaset to maintain its three existing channels until April 30 1998. If the new regulatory authority then decides they account for more than 20 per cent of the terrestrial channels, one channel will have to become satellite. But this will only happen if there are sufficient satellite dishes in use to guarantee its success – and the government will introduce incentives for dish purchase.

Thus, Mediaset will almost certainly maintain three terrestrial channels beyond 1998. It is also likely to benefit at least until the end of this year from existing rules governing advertising, whereas from mid-1996 it risked losing some 30 per cent of these revenues through strict application of the constitutional court decision.

The Rai and the political parties who use it as an instrument of influence are also beneficiaries. The state broadcaster will retain three national channels – unique in Europe. It will also be able to move into digital TV, developing its "platform" with Stet, the state telecoms group due to be privatised. Stet itself will be able to expand into image transmission via cable.

In deference to ending the Rai-Mediaset terrestrial duopoly, the small two-channel TeleMontecarlo group owned by film producer Mr Vittorio Cecchi Gori, will be able to have full national coverage.

To complete the political carve-up, the structure of the regulatory authority placates everyone. The chairman will be appointed by the prime minister, with four board members chosen by the ruling parties and four by the opposition. To ensure the populist Northern League comes on board, the government will probably nominate one of the four members in its patronage with the former's agreement.

Czechs battle to defend currency

By Vincent Boland in Prague

The Czech central bank was forced to intervene heavily on foreign exchange markets yesterday after the koruna suffered another furious speculative attack.

For the third time in six trading days the Czech National Bank (CNB) had to dig deep into the country's foreign reserves to keep the koruna inside its trading band against a hard currency basket comprised of two-thirds D-Marks and one-third US dollars.

There are growing doubts about how long the bank's battle of wills with the markets can last.

Traders estimated that it spent up to $1bn yesterday intervening in both Prague and London and up to $2bn since May 16, when the koruna first came under sustained attack. Foreign reserves stood at $11.7bn at the end of March.

This latest speculative wave came as political leaders wrangled over a proposed cabinet reshuffle. President Václav Havel was attempting late yesterday to broker an agreement on appointing a new government.

Central bank spends up to $1bn defending the koruna

This is seen as the minimum necessary to revive the fortunes of Mr Václav Klaus, the embattled and unpopular prime minister.

Behind the wobbling koruna lies a sharp slowdown in the economy so far this year, worsening an already wide current account deficit and leaving the traditionally strong currency vulnerable on foreign exchange markets.

The picture is clouded by political gridlock, and analysts said that as well as a reshuffle, any new cabinet needed to bring forward a more credible economic policy.

As well as intervening, the CNB shut off foreign banks' access to the interbank market and restricted last-resort lending to domestic institutions.

Mr Andrew Kenningham, a currency specialist at Merrill Lynch in Prague, said these moves were "an implicit admission that there was a state of emergency" in the foreign exchange market.

Mr Vladimír Kreidl, economist at Patria Finance, said: "They are a clear signal that the problem is really serious and that within a few days the koruna will go down." He said the CNB could devalue or float the currency or widen the trading band, and that it was likely to fall by 15 per cent.

The koruna can trade 7.5 per cent below its fixed daily level against the basket. In early trading yesterday it fell to 6.4 per cent, the lowest level ever, but recovered to close at about 3.85 per cent below the fixing after intervention.

Some traders said activity was mainly driven by domestic companies selling local currency for D-marks and US dollars.

Currencies, Page 33

Václav Klaus (left): unpopular premier battling for survival AP

Slovak vote put in doubt by court ruling

By Vincent Boland

A referendum in Slovakia on whether the president should be directly elected was in doubt yesterday as government and opposition clashed over the interpretation of a ruling by the country's highest court.

The referendum, spread over two days, is due to begin today. Mr Vladimír Mečiar, the prime minister, had sought to block it, his opponents claim, because it would hinder his plans to extend his power.

He was overruled by the Constitutional Court. However, a furious row erupted over whether a Yes vote would enable the change to be incorporated directly into the constitution or whether parliament would have to ratify it.

A second referendum on joining Nato was due to be held at the same time. But it would be invalid without the presidential vote.

It was unclear late yesterday whether the ballot papers would actually include the question on direct presidential elections despite demands from Mr Kováč and the electoral commission that all four questions – three refer to Nato membership – be included.

The presidential referendum is an opposition initiative to avoid a constitutional vacuum after President Michal Kováč's term expires next March.

The president is currently appointed by parliament, but neither government nor opposition has enough seats to secure a new appointee.

The opposition fears Mr Mečiar might exploit a vacant presidency to widen his already considerable powers before a general election six months later.

Mr Mečiar and Mr Kováč, once allies in the fight to oust the Communists, have since become bitter enemies. The premier accuses the president of siding with the opposition, while the president accuses his opponent of "authoritarianism and being a threat to democracy".

Observers in Bratislava said the court ruling, in response to a government request that it declare the presidential referendum invalid, had created constitutional chaos. "There is an air of confusion everywhere," a western diplomat said.

Opinion polls suggest there is strong support for a direct presidential election.

The present battle reflects the deep animosities that govern Slovak politics. Mr Mečiar has become increasingly authoritarian and Mr Kováč is seen as the strongest bulwark against him.

If the referendum fails to go ahead, it looks certain to draw a sharply critical response from western governments. President Kováč's office said yesterday that President Bill Clinton had written recently voicing concern about the pace of democratic reform in Slovakia.

Albanian parties agree to take part in June election

By Kevin Done, East Europe Correspondent

Albanian political parties bowed yesterday to intense international pressure and agreed to go ahead with the general election called for June 29.

The poll, which is seen as the vital first step in restoring long-term order to the country, had been jeopardised by a bitter fight between President Sali Berisha's Democratic party and the opposition parties over a new electoral law.

The opposition claimed that the law, similar to the one used in last year's flawed poll, would prevent free and fair elections.

Mr Franz Vranitzky, the former Austrian chancellor and the international community's envoy to Albania, said yesterday that the parties had finally agreed to support the election.

The Socialist party, the main opposition party led by Mr Fatos Nano, said it was abandoning its threat to boycott the poll.

Mr Vranitzky, appointed by the Organisation for Security and Co-operation in Europe (OSCE), said the parties had agreed to elect 115 seats by majority voting and 40 seats through proportional representation in an election over two rounds.

"They also agreed on the make-up of central and regional electoral commissions and that all parties should have access to the media," he said in an address to the Vienna-based permanent council of the OSCE.

The agreement ends the deadlock over the elections, which had threatened to plunge Albania back into the violent anarchy triggered earlier this year by the collapse of a series of fraudulent pyramid finance schemes.

A multinational force of more than 6,000 foreign troops led by Italy has been deployed in the country since last month to protect the distribution of humanitarian aid.

Large parts of the country are still outside the control of the central government and the situation remains unstable and chaotic.

Rebel committees still rule some towns in the south of the country, and rival gangs armed with some of the hundreds of thousands of guns looted from state armories are still fighting for territory in cities such as the Adriatic port of Vlore.

Despite the fragile security situation, Mr Vranitzky said that the 54-nation OSCE would give its total support to help in preparing the election and would send as many observers as was deemed necessary, together with the Council of Europe.

In a letter sent yesterday to Mr Bashkim Fino, the Socialist prime minister of Albania's caretaker government, Mr Vranitzky said that the OSCE would "carry out intensive observations of the pre-election process and voting and assist with all means available in post election activities."

He warned that final responsibility to carry out the election still rested with Albania, however, and warned "of the difficulties that must be overcome to ensure that elections are held successfully."

Last year's election, in which President Berisha's Democratic party claimed an overwhelming victory, winning 122 of 140 seats, was widely condemned for ballot rigging, intimidation and violence and was abandoned by most of the opposition parties hours before polling closed.

EU pushes hard to open up gas market

By Neil Buckley in Brussels

European Union energy ministers may hold a special meeting next month to try to agree long-delayed plans to open the EU's $100bn a year gas market to cross-border competition.

Member states and the European Commission hope a scheduled meeting next Tuesday can reach broad framework agreement, leaving only precise figures on the extent of market opening to be fixed at a special session, probably after the Amsterdam summit.

Last summer, agreement on electricity liberalisation was reached at a similar special meeting on the eve of the Florence summit, after eight years of wrangling.

But Mr Christos Papoutsis, energy commissioner, insists next week's meeting make a commitment to open a large part of the market to competition. Some states, such as France, want to limit liberalisation.

"I will insist the opening of the market must be significant," he told the FT. "We need a declaration that opening will be substantial."

Progress towards a single European market in electricity and gas was stalled for years by the lobbying of national monopolies, and fears about the strategic importance of energy.

The prospect of a competitive European gas market has also provoked concern in Norway, Algeria, and particularly Russia, which meet 40 per cent of EU needs. They fear it could undermine their "take-or-pay" contracts. The danger is that as competition erodes the market share of large distributors, they no longer need all the gas they are contracted to pay for – as happened to British Gas.

The solution before ministers next Tuesday would allow existing gas distributors to be granted partial exemptions from requirements to open their networks to competitors, on a case-by-case basis, if demand for their gas would otherwise fall below volumes they had contracted to buy.

Brussels wants the power to grant and regulate such exemptions, but states including France and Germany say power should remain at national level.

"The Commission is the only institution with the credibility to play this role," says Mr Papoutsis.

Shrouded in doubt: An Iranian woman walks past a series of presidential election posters of Mr Mohammad Khatami in a Tehran street Reuter

Iran votes under stern gaze of clerics

Soaring prices have led to more dissatisfaction, writes **Robin Allen** in Tehran

Iranians will vote for a new president today in an electoral process that reflects the country's mixture of democracy and clerical authoritarianism.

Voters as young as 15 will be choosing between four approved candidates to succeed President Hashemi Rafsanjani, whose second four-year term expires next August. Nearly half the electorate is under 30.

If no contender gets an absolute majority in today's first round, a second round will be held on the Friday of the second week after confirmation of the first round results by the Council of Guardians.

This is the 12-member constitutional body that vetoed 234 of the 238 people who sought to stand as candidates in the election, including all nine women.

The council, which can also annul results, is the most striking example of the self-perpetuating oligarchy that exercises national political control.

Half its members are clerics appointed by Ayatollah Khamenei, Iran's spiritual leader, and the other half are Islamist jurists appointed by the *majlis* (parliament).

The leading contender in the poll is Hojatoleslam Ali Akbar Nateq Nouri, speaker of the 270-member *majlis*, and a former interior minister. He is backed by Ayatollah Khamenei, other senior clergy, members of the government and the majority conservative faction in the *majlis*.

His main rival is Mr Mohammad Khatami, a middle-ranking cleric and former culture minister.

Mr Khatami has support from leftwing and technocrat reformists in parliament and from business groups which want relief from state intervention in the economy.

He is also backed by many secular voters - particularly younger people, including women - who see in him some chance for partial release from the pervasive clerical-inspired dogma that dictates people's everyday behaviour.

The other two candidates are considered "also-rans" to justify the show of democracy.

They are Mr Mohammad Reyshari, a conservative former intelligence minister, and Mr Reza Zavarei'e, a lawyer who is vice-chairman of the judiciary.

Despite the presence of the four candidates, and official exhortations from the clerical leadership that voting is "an Islamic duty" and should be seen to be fair, apathy and cynicism are widespread.

A typical comment came from one young conscript in Tehran: "They (the clerical leadership) chose the next president last year, when Mr Nateq-Nouri was made the senior *majlis* official. I will vote for Mr Khatami, but I am 100 per cent sure he will not win."

A cafe-owner in a village north of Tehran also said he would vote for Mr Khatami. Shrugging his shoulders, he quoted an Iranian saying:

> 'Between the bad and the worse, it is better if you choose the bad'

"Between the bad and the worse, it's better if you choose the bad".

The election takes place at a time of widespread dissatisfaction about the soaring cost of living and state interference in all aspects of the economy. This is despite official rhetoric and a mild pat on the back from the International Monetary Fund for the way the government has paid its external debt on time, cut its import bill, reduced the number of different exchange rates and partly controlled inflation.

"A vote for Mr Khatami is a vote of no confidence in President Rafsanjani and the entire leadership," said one Iranian banker. "The government is beginning to be seriously concerned about the degree of public support for Mr Khatami."

In the past two years, consumers say the prices for "best rice" and lamb have doubled. Car owners complain a set of Iranian manufactured car tyres costs more than twice its price in 1995.

The cost of living has risen despite huge state subsidies on basic items.

Petrol, for example, is up 40 per cent from two years ago, though still only half the price charged in other much richer oil-producing states.

Senior diplomats and businessmen point out that state subsidies are not only a means of protecting the poorest but can be, and are, used as a political tool to favour the "politically correct and obedient".

The regime, and all the candidates, are hyper-sensitive on the subject of "western-inspired" ideas and the "dangers of liberalism".

But Iranians of every background point out that competent economic management cuts across religious and sectarian divides.

The clerical regime is well aware of these factors, and according to bankers, of the need to attract foreign investment and improve its overseas relations.

Observers point out that Mr Rafsanjani, who will continue to play a dominant political role regardless of who becomes the next president, was careful in a press conference earlier this year, to demand only that the US return Iranian assets. "This, he said, "would be a shift in their stance, and they can then see another face from Iran."

A likely election scenario being mooted among Iranians is that there will be a high turnout - up to 75 per cent - on the first round, with neither Mr Nateq-Nouri nor Mr Khatami getting an absolute majority.

A high turnout would enable the regime to announce widespread public commitment to the system; and with neither leading contender getting an absolute majority, the regime could claim that "democracy works".

On the second round, a lower turnout is anticipated, with Mr Nateq-Nouri getting an absolute majority. Some Iranians remark that the regime "will see to that".

Editorial Comment, Page 23

Rafsanjani daughter speaks up for women and the young

By Robin Allen

Should Mr Mohammad Khatami, the second leading contender in Iran's presidential race, do well in today's first round of presidential elections, much of his success will be credited to President Hashemi Rafsanjani's daughter Mrs Faezeh Hashemi, a courageous and highly articulate advocate of women's rights who has inspired many of the country's younger voters.

Those under 30 make up more than half of Iran's population - the second largest proportion of any country in the world, according to Mrs Hasheni - and about 40 per cent of the electorate.

Since being elected in the first round to the majlis (parliament) in last year's elections on a reformist ticket in Tehran, Mrs Hashemi has used her personal and parliamentary strengths, always within the framework of Iran's Islamic constitution, to plead for political moderation and "equilibrium" in the majlis, and to emphasise the importance of the young for Iran's development.

At a press conference in Tehran yesterday, Mrs Hashemi emphasised the role of Iran's young, starting with the 1979 revolution and the 1980-1988 war with Iraq, in which more than 500,000 mostly young Iranians were killed or wounded.

"As Iran's development continues," Mrs Hashemi said, "we need to build more houses, create more job opportunities, and generate more exports so we can earn more hard currency in order to find solutions to many of our economic problems." The young need to be involved, "because the government by itself cannot tackle these problems".

Brussels plans copyright rules for the digital age

By Alice Rawsthorn in London and Emma Tucker in Brussels

The European Commission is finalising a draft directive to ensure that the copyright owners of intellectual properties, such as music and films, receive full legal protection when distributed in digital form.

The draft directive is to be published in late July before the summer break or in early autumn.

It follows the publication in March last year of a Green Paper on legal protection for encrypted services, including pay-television and interactive tele-shopping.

Europe's entertainment companies have mounted a strong lobby at national and international level to secure legal protection when their copyrights are distributed over the Internet, or on other digital networks such as high-speed cable television systems.

Music is already one of the most popular subjects on the Internet. Yet record companies, artists and composers will require full copyright protection, and the ability to control access to their material, if they are to exploit the commercial potential of selling recordings directly to consumers by downloading them on to personal computers.

Similarly, film producers and software developers require similar measures to ensure that they are paid for their copyrights, and can protect them from the threat of piracy.

The commission will address four specific areas of digital copyright in the draft directive:

- Ensuring that all member states extend copyright protection to cover digitally-distributed material.
- Introducing a distribution right to enable the copyright owner to control where their work is distributed.
- Allowing copyright owners to develop technical means of controlling access to their material and detecting unauthorised usage of it, for instance by encrypting and tattooing digital signals.
- Harmonising European Union legislation on private copying, such as recording on to blank video or audio cassette tapes for personal use.

These measures broadly reflect an agreement clinched at a diplomatic conference of the World Intellectual Property Organisation (Wipo) in Geneva last December.

This agreement decreed that the 30 countries belonging to Wipo should amend their national law to extend copyright protection to encompass new forms of digital distribution.

Once the European Commission's draft directive has been adopted as European law, all member states will be required to adapt their national legislation accordingly.

One of the trickiest areas to harmonise may be private copying, because it is an issue where national legislation differs widely. Most European countries, other than the UK, Luxembourg and Ireland, impose levies on sales of blank audio and video cassettes which are then redistributed to the copyright owners. Sweden and Portugal are now in the process of introducing such levies.

However, it is not clear whether these levies will become superfluous if effective measures are developed to encrypt and identify digital signals thereby preventing unauthorised reproduction.

هكذا من الأصل

EU sets out objections to Boeing merger

By Michael Skapinker, Aerospace Correspondent

The European Commission has given Boeing and McDonnell Douglas its official statement of objections to their planned merger and has asked the two US groups to respond before June 12, when hearings on the subject are to take place in Brussels.

The Commission is believed to have told the companies that the merger raises three principal concerns.

The first is that it would restrict competition in the civil aircraft market. The two US groups would control two-thirds of sales, making it difficult for Airbus Industrie, the European consortium, to compete.

The second concern is that US government funding for defence programmes would be used for the development of civil aircraft. The takeover of McDonnell Douglas will give Boeing a substantial presence in the US defence market.

The Commission's third concern is the exclusive deals which Boeing has concluded with American Airlines and Delta Air Lines. The airlines have appointed Boeing as their sole supplier for 20 years. Continental Airlines of the US is thought to be close to reaching a similar deal.

Boeing refused to reveal the content of the statement of objections. But Mr Philip Condit, Boeing's chairman, said his group would "continue to work with the European Commission to help it better understand the data that underlie the process and the benefits that accrue to customers, suppliers, employees and shareholders."

Mr Condit said, however, that the Commission's investigation of the merger should take second place to that being conducted by the US Federal Trade Commission. He said the FTC should take the lead, as the proposed merger "so obviously concerns key US interests, not the least of which is the sovereign area of defence".

Mr Condit added: "While the merger has raised a number of issues in the European Union, there is one fundamental anti-trust issue: does the combination of Boeing with McDonnell Douglas' commercial airplane unit have a restrictive effect on competition?" He said that answer was a "resounding no" because McDonnell Douglas accounted for only 4 per cent of sales last year.

Mr Condit said there was no question of defence research funding being used for civil programmes. The issue was regulated by the 1992 bilateral trade agreement.

"Since 1993, when we have submitted reports to the US government, there have been no instances of benefits accruing to US commercial airplane programmes from currently funded US Department of Defence or Nasa contracts," he said.

Mr Condit said that the exclusive agreements were struck at the airlines' initiative. The deal with American had been concluded before the proposed merger with McDonnell Douglas had been announced.

Chevron warns on Caspian pipeline outsiders

By Robert Corzine

Independent promoters of oil export pipelines from the Caspian Sea region are a "disruptive" force in developing the region, according to Mr Richard Matzke, head of international operations at the US oil company Chevron.

Mr Matzke, who has overseen the development of the largest foreign oil project in the region at Tengiz in Kazakhstan, said the owners of new Caspian pipelines should be the companies developing the oil fields linked to them.

"Speculators and outsiders only bring disruption and delays," he said.

Mr Matzke said his comments should not be interpreted as a threat to the individuals and small companies promoting a number of export options from the Caspian.

"But I don't think there is any real role for the promoters," he said.

Caspian projects were proving difficult enough to get off the ground, even without the interference of non-producers, he added.

He predicted that virtually all big pipeline and oil field development projects planned for the region would experience some delays. This was partly because of the shortage of drilling rigs and other equipment in the Caspian.

The Caspian Pipeline Consortium, which last week agreed to go ahead with a line from Tengiz to the Russian Black Sea coast, was also likely to run into some delays, because a number of peripheral issues needed to be resolved.

Talks with four local governments in Russia on tariffs had yet to take place. "That's a whole new experience so we don't know how long it will take," he declared. "They won't kill the thing but we expect them to negotiate in a tough manner."

Mr Matzke said Chevron would continue to use a variety of ways to export Tengiz crude while the CPC pipeline was being built.

Limited oil exports via barges and rail "could continue indefinitely" as long as costs remained reasonable.

The cost of such alternatives was about twice as much as a pipeline, but even so, Tengiz oil was being sold "above our costs".

Testing time at WTO for Indonesia's controversial national car venture

The world trade body will today be asked to investigate privileges for Jakarta's car project

By Haig Simonian and Manuela Saragosa

For months, today's date had been ringed in the diaries of executives at Timor Putra Nasional, Indonesia's "national" carmaker.

At a disputes settlement meeting at the World Trade Organisation, the European Union is today expected to request a panel be set up to investigate whether the "national" car infringes WTO rules. Indonesia can resist the formation of the panel this time, but not if the EU makes a second request.

In April, Japan made a similar request to the WTO but has given Jakarta "time" to amend its policy.

Foreign carmakers and their governments argue that the tax and tariff breaks for Timor discriminate against its competitors. The company, controlled by Mr Hutomo Mandala Putra, the youngest son of Indonesia's President Suharto, enjoys benefits on both the swingeing import duty on completely knocked-down imports and on the country's high luxury goods sales tax.

That means the company's Timor saloon significantly undercuts similar models assembled in Indonesia by Japanese carmakers and their local partners. Worse, the Indonesian government decided last June to let Timor import 45,000 fully-built vehicles from Kia Motors of South Korea – its technological mentor – until its own factory was completed.

Despite the apparent strength of the case against Timor, the heat had appeared to go out of the dispute earlier this year. In particular, Japanese manufacturers and the Tokyo government, which had been Timor's sternest critics, have been notably quieter.

Some attributed their change of heart to a traditional distaste for confrontation. Others argued the new willingness to turn a blind eye stemmed from Timor's less than sparkling debut: the company sold less than 1,000 vehicles a month in the three months since it went on sale on October 1 – far below the widely reported 4,000 units a month target for the first year.

However, three developments have since fanned the trade flames:

Foreign car makers say Timor's tax and tariff breaks discriminate against them

- Timor's sales have picked up strongly in recent weeks amid signs the company, possibly with tacit government support, has been leaning on big state and private groups to buy its vehicles.
- A consortium of private and state banks has agreed to extend a $690m loan to finance Timor's expansion. This is only half what Timor wanted, but the loan and the fact that some banks may have required government persuasion to participate is highly controversial under WTO rules.
- The company plans to broaden its range into the biggest sector of the Indonesian vehicle market.

The Timor's limited success is attributable partly to the fact it is a saloon car. Despite its relative cheapness, conventional saloons account for only about 12 per cent of Indonesia's vehicle market. By contrast, the bulk of sales are of "commercial vehicles", mostly vans converted into cars.

Such vehicles are popular because they can seat up to nine people, ideal for Indonesia's extended families. More convincingly, they, like the Timor, are exempt from the heavy taxes on conventional cars.

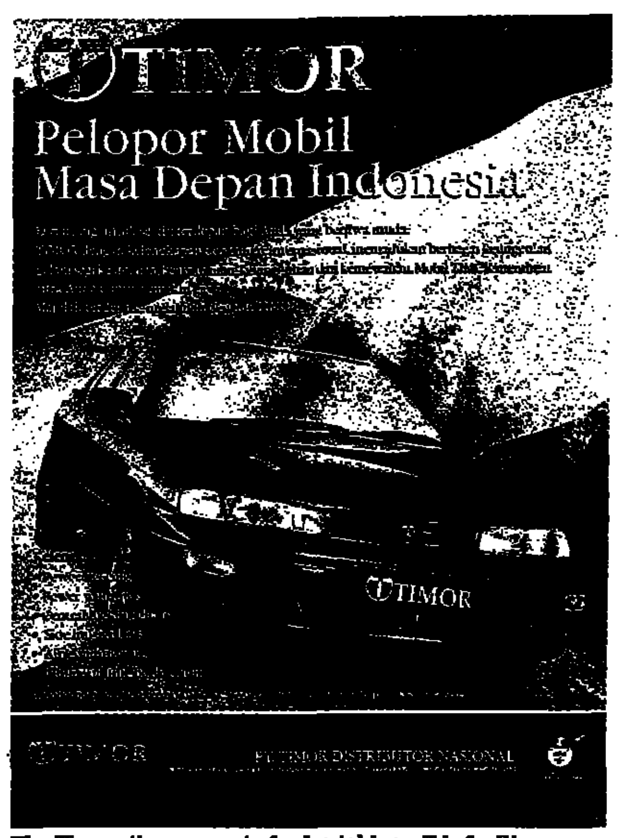
Timor says it will break into the passenger-based "commercial vehicle" market next year, when it launches a rebadged version of the Kia Sportage, a light-weight sports utility vehicle. The new model, to be called the JS201, would take the competitive battle right into its rivals' camp.

Timor is also planning more conventional steps to improve its sales. Mr Soemitro Soerachmad, chairman of Timor Distributor Nasional, the distribution arm, says it will add more dealers to its 72 outlets. Limited distribution was one of the main reasons for the company's slow start, he says.

Timor also wants to bolster its after-sales service. Mr Soemitro says consumer doubts about its ability to provide servicing was a significant constraint on sales. "We want to prove we can, but it takes time." In the longer term, the company also wants to break into the fleet car market.

But Timor's biggest project is to complete its new car plant, 60km east of Jakarta. Work on the 300-hectare project started in February and should be completed by September next year.

The plant will be able to assemble 40,000 cars a year. However, Timor expects to move swiftly to a second phase, taking output to 70,000. Eventually, it would like to raise capacity to 120,000 units a year, says Mr Soemitro.



The Timor: the prospect of sales taking off is fuelling objections from the EU under world trade rules

Only by building its own plant and installing local components in its vehicles will Timor be able to meet the tough local content levels required by the government in return for its "national car" status. Under the terms of the deal, future Timors will have to have 60 per cent local content by the end of 1999.

To develop its local suppliers and bridge the gap until its factory is ready, the company has sub-contracted assembly work to Indomobil, a rival. Equipment installation started in April, and pre-production models should be ready this month, he says.

The 2,000 vehicles coming off the lines at Indomobil will be in addition to the 45,000 fully built-up Timors the company has contracted to import from Korea, says Mr Soemitro.

He is confident the company will be able to capture as large a share of the Indonesian passenger car market as the 70 per cent share held by Proton, Malaysia's main "national" carmaker, in its home market. But he is much less forthcoming on the thornier issue of trade talks and their potential impact.

"We were approached as the private-sector developer of the national car programme. Our priority is to achieve the 60 per cent local content target within three years," he says. The WTO dispute "is a government matter".

WORLD TRADE NEWS DIGEST

US in China tariff threat

Two influential Republican congressman yesterday introduced legislation designed to force China to open its markets to foreign goods, speed its membership into the World Trade Organisation and end the annual controversial debate over renewal of China's Most Favoured Nation (MFN) trade status.

The bill introduced by Mr Doug Bereuter and Mr Thomas Ewing threatens higher tariffs on Chinese imports if Beijing does not adhere to world trade rules. "This is a tough but fair approach, and it ends the free ride that China currently gets under US trade law," Mr Bereuter said.

Under the proposed legislation, the US president could impose moderate tariffs – of about 4-7 per cent – on as many Chinese imports as deemed necessary. This is less draconian than revoking MFN – the lowest tariff level available – and would have less impact on US business.

The bill is designed to address the widespread concern in Congress over the soaring US trade deficit with China. China's average tariffs on US goods are 23 per cent, and it has a range of non-tariff barriers. Mr Bereuter said China's accession to the WTO would put multilateral pressure on Beijing for trade liberalisation. Currently, the US is alone in linking China's trade status with its behaviour on issues such as human rights and arms proliferation. *Adrian Michaels, Washington*

House votes to lift tuna ban

The US House of Representatives has voted to lift a seven-year tuna import ban, imposed to protect dolphins in the eastern Pacific. The bill follows agreement by governments in the region stretching from southern California to Chile to bring in measures to prevent dolphin from being killed by the circular mile-long nets used by giant vessels to catch tuna.

US canneries are prohibited from using the term "dolphin safe" on tuna caught in huge circular nets, which have often inadvertently caught dolphins. If the bill is passed by the Senate, it will remove Mexico's threat to bring a potentially embarrassing complaint against the US tuna embargo at the World Trade Organisation.

The legislation faces tougher going in the Senate, where Democrats last year blocked the legislation and have vowed to do so again. The US lost an earlier case against the ban, brought by Mexico in the General Agreement on Tariffs and Trade. *Nancy Dunne, Washington*

Transocean wins drilling deal

Transocean Offshore, the US-Norwegian offshore drilling company formed last year, has won a contract worth $88m to carry out exploration on behalf of a consortium led by Petro-Canada, the Calgary-based group. Transocean is to provide development drilling and completion services for the Terra Nova oil field off Newfoundland. Work is to start in the second quarter of 1998 using the group's semi-submersible Explorer platform. Transocean, formed when Houston-based Sonat Offshore Drilling acquired Norway's Transocean, said revenues from the contract would be around $77m. *Greg McIvor, Stockholm*

Government says level of foreign interest in project is high

Hanoi pursues refinery goal

By Jeremy Grant in Hanoi

Vietnam still wants to build its first oil refinery at a remote coastal site, despite criticism by foreign oil companies that the plant will be uneconomical, and has been approached by the Japanese government with financial assistance for the scheme.

Mr Do Van Ha, head of international relations at the state oil agency PetroVietnam, said the government was pressing ahead and that about 20 foreign companies were interested. "The train has left the station and there are foreign companies running after it willing to jump on," he said.

Japan, by far Vietnam's biggest source of aid and concessional lending, had been in contact with PetroVietnam for the past two years about possible involvement in the project.

Analysts believe Japan may be interested as a way of diversifying its sources of refined crude, as well as for strategic reasons. Tokyo sees Vietnam as an important trading and security partner in South-east Asia.

The $1.3bn refinery has been controversial ever since Total of France pulled out in 1995, saying it was too far from Vietnam's offshore oil fields to be economical.

In February, Hanoi appeared to rule out foreign participation when it rejected a proposal from a six-member foreign consortium to build the 130,000 barrels a day refinery at Dung Quat, on the central coastline. The group included Petronas of Malaysia, Conoco of the US, South Korea's LG Group and two Taiwanese companies.

The scheme remains a government priority and has come to represent Hanoi's enduring enthusiasm for socialist-style mega-projects, regardless of whether they can be financed.

Current costs are estimated at about three quarters of the country's foreign exchange reserves.

Yet Hanoi continues to issue conflicting signals, saying it will build the refinery alone, using scarce government funds and foreign bank loans, while claiming continued foreign interest.

Analysts see this as evidence of confusion in the Communist party hierarchy on how to proceed. Mr Ha indicated that strict government guidelines on financing and inter-ministerial confusion were limiting PetroVietnam's room for manoeuvre in making it attractive to foreign bankers.

The analysts say the project, which could include a petrochemical complex, will probably go ahead because Vietnam believes it needs a refinery for strategic reasons. That will attract investors with their own particular motives, such as gaining access to Vietnam's currently closed retail fuels market.

Petronas of Malaysia is known to be keen to introduce its refined products into the Vietnamese market, which is monopolised by PetroVietnam and its subsidiaries. LG of South Korea is attracted by the prospect of clinching sizeable construction contracts associated with such a large project.

Unions see threat of job losses in European textile industry

By Robert Taylor, Employment Editor, in Oporto, Portugal

Between 600,000 and 860,000 jobs could disappear over the next few years in the European Union's textile, clothing and leather industries, due to increasing global competition.

This gloomy forecast is contained in a trade union action programme to the year 2001 which will be agreed today at a conference of the European Trade Union Federation for the sectors in Oporto.

The unions cite declines in European textiles, clothing and leather as a consequence of the phasing-out of the multi-fibre arrangements, as well as the likelihood of better market access for Chinese exports if it joins the World Trade Organisation.

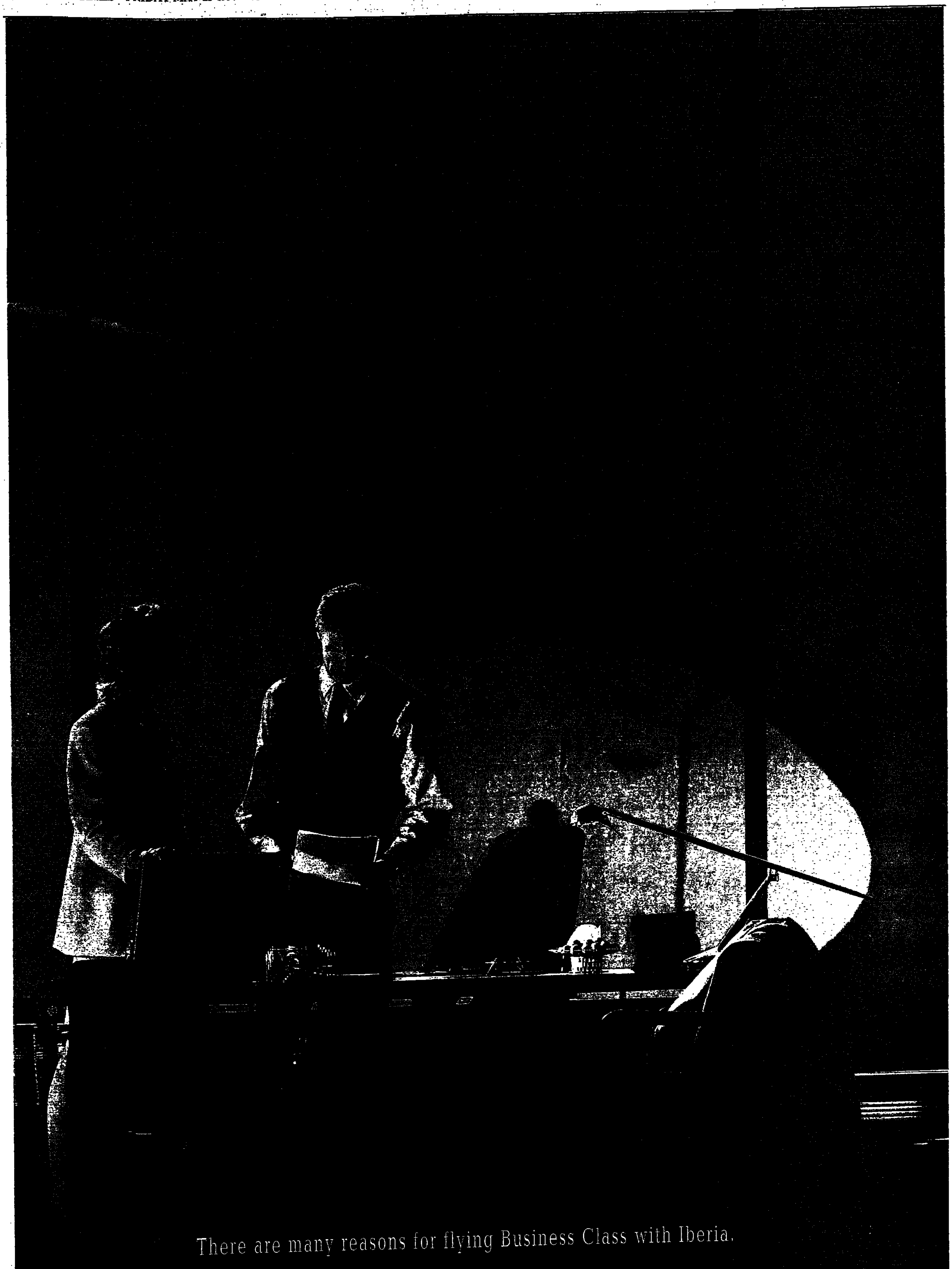
Other impinging factors include liberalisation of trade within eastern and central Europe, and the EU's customs union with Turkey.

At present an estimated 2.8m workers are employed in the EU in textiles, clothing and leather industries. Most of the workers are women. In recent years, job cuts due to intensifying competition in the EU market have accelerated, with up to 190,000 job losses in 1993 alone. The union federation fears this trend is escalating.

The European Federation calls for a number of reforms, including cuts in working time, more vocational training, harmonisation of working conditions to prevent "social dumping", framework agreements that lay down minimum standards, and a reduction in non-wage labour costs.

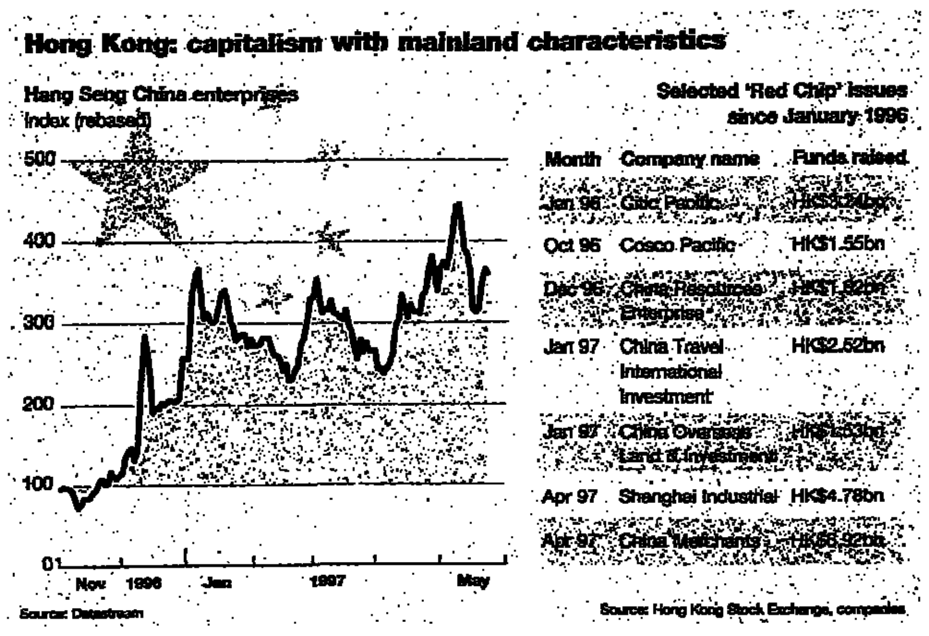
Textile unions say they accept globalisation is "an irresistible process" but insist the WTO and International Labour Organisation must develop "an effective mechanism" to ensure countries which do not respect the ILO's core fair-labour standards "do not continue to benefit from the international trading system".

The action programme calls for the automatic inclusion of a social clause in all EU agreements with other regions and countries, as well as codes of conduct and social labels.



'Red-chip fever' raises HK temperatures

John Ridding sees healthy signs – and risks – in investors' passion for China-backed shares



Long queues outside banks might once have sounded alarm bells ahead of Hong Kong's shift from capitalist to communist sovereignty. But the jostling throngs wrapping around some of the territory's financial institutions this week marked a bull run, not a bank run.

Hopeful investors were waiting in line to subscribe for shares in Beijing Enterprise, investment arm of the capital's municipal government. It was the latest and clearest symptom of "red-chip" fever – the passion for mainland-backed companies listed in Hong Kong.

When applications are totted up today, they are expected to exceed supply by more than 1,000 times, a record for the territory's market.

Despite the speculative surge, there is much good news in the rush for "red chips", named with an eye to solid "blue-chip" shares on western stock markets. It demonstrates investor confidence ahead of Britain's handover of the territory's sovereignty to China on July 1 and provides economic benefits on both sides of the border.

"The red chips are a form of privatisation, providing capital for economic reform," says Mr John Mulcahy, managing director of W.I. Carr stockbrokers in Hong Kong.

Their parent companies, often provincial or municipal governments or state enterprises, inject assets into their Hong Kong vehicles, raising funds for development at home.

In the case of Beijing enterprises, these assets range from the franchise for the US fast-food chain, McDonald's, to tourism rights for a part of the Great Wall of China.

At the same time, "red-chip" managers acquire expertise from their operations in the territory, forming China's new corporate elite.

For Hong Kong, the rush of "red chips" secures its role as the financial centre for the mainland, keeping it well ahead of emerging rivalry from Shanghai.

Its investors have been pocketing substantial profits from the 40-odd "red chips", which have climbed on average, by more than 40 per cent this year.

For the territory's bankers, the "red chips" have proved the most fertile source of business over the past six months.

"They are the biggest thing since junk bonds," says Mr Jack Wadsworth, chairman of Morgan Stanley Asia, one of the lead managers in the Beijing Enterprise issue. "We want to bring every city in China to the market."

Like junk bonds, however, the "red-chip" revolution requires careful handling. Concerns ranging from political sensitivities to regulatory issues are emerging in China and in Hong Kong. For investors, there is the knowledge that all bubbles burst, or at least deflate.

Senior mainland officials, including Mr Zhu Rongji, vice-premier in charge of economic affairs, have warned that the sale of state assets must not be done at a discount. The CSRC, the mainland markets regulator, has also signalled it must at least be informed of asset injections into Hong Kong companies.

"Flogging off the state silver, particularly to foreigners, is obviously a bit touchy," one Hong Kong investment banker says. "There is also the fact that some of these 'red-chip' managers are becoming instant millionaires through the allocation of share options when they come to market. That may well spark resentment back home."

In Hong Kong, regulators are looking at the conduct of placements and asset injections, signalling concerns about transparency and equal access to information for investors. This week, the Securities and Futures Commission and the stock exchange warned they might not approve transactions if shares in a company concerned have previously moved in "unusual" trading patterns.

So far, these concerns have come as warning shots rather than a crackdown. Bankers in Hong Kong believe that "red-chip" issues will continue, underlining their importance as fund-raising vehicles and playing down the arguments over pricing.

"It is hard to argue that these assets have been sold cheap on the basis that the share prices have risen so sharply," says Mr Mulcahy. "Investors are paying for anticipated asset injections and expansion in China."

On conventional measures, such as price/earnings ratios, they are anything but cheap. The "grey market" price for the Beijing Enterprise issue, at about HK$40 (US$5.16), puts the shares on a ratio of more than 45 times expected earnings, some four times the market average.

Mainland authorities retain control of the assets, so injecting them into "red chips" is politically preferable to selling them to foreign "blue-chip" companies.

While Beijing has expressed concerns about the rapid rise of domestic markets, few expect pressure to cool the "red chips".

"Their worry is the A-share market," says Mr Archie Hart, director of equities at BZW Asia, referring to China's local currency market reserved for domestic investors. "If that collapsed, then it would hit the Chinese public and could create discontent."

But "red-chip" investors are themselves pushing the market towards bursting point.

"There is no doubt we have a bubble now," says Mr Mulcahy. He argues that the combination of hazy earnings profiles along with untried management is bound to lead to disappointments and declines.

That would blow away the froth from the "red-chip" market and herald the end for some of the weaker arrivals. But the stronger "red chips" would remain in place, providing a two-way channel for the transfer of capital and expertise between the mainland and the Hong Kong market.

Hong Kong regulators have drawn up measures to deal with huge over-subscriptions, such as those for "red-chip" offerings in recent months, Louise Lucas writes from Hong Kong.

The public portion will be split into two equal-sized pools: one for applications of under HK$5m ($640,000) and one for more than that amount.

While the new system will eliminate one of the problems in the present mechanism - that of investors applying for the full value of the public offering on the assumption that (if successful in the ballot system) it will be scaled back - it is unlikely totally to eradicate massive over-subscription.

Western Australia to sell A$1bn gas pipeline

By Nikki Tait in Sydney

The state government of Western Australia is to privatise a 1,540 km gas pipeline with a book value of more than A$1bn (US$770m) by the year's end. The sale would be the conservative state government's biggest privatisation so far.

The pipeline, which runs across much of Western Australia, plays a key role in supplying the more populated and industrial areas in the south of the state – including Perth, the capital – with gas from the North West Shelf, the rich offshore energy-producing area which lies to the state's north. It was built in the early 1980s, and runs from Dampier to Bunbury.

As deregulation of the state's gas market has been introduced, the facility has begun to transport energy for commercial customers, such as Alcoa, the aluminium group, as well as the state-owned gas and electricity utilities.

Western Australia first confirmed it was looking at the pipeline sale last August. But its plans suffered a setback when PGT Australia, part of Pacific Gas & Energy, the US utility, said it was applying for an operator's licence for a parallel pipeline. This would also cost about A$1bn to build, with the potential to depress the sale value of the existing facility.

Yesterday, Mr Colin Barnett, the state's minister for resources development, acknowledged the issue had "created some challenges", but said the second pipeline possibility would not be considered by the state government before 1999.

"In early 1999, formal expressions of interest will be sought in a proper and competitive process which may lead to a second pipeline being built to the south-west..." he said yesterday. "Given this timeframe, it is possible there will be construction of a pipeline mirroring the route... from the year 2000".

Meanwhile, the new private owner of the existing pipeline would have the option of expanding its capacity. There would be reference tariffs for the first two years of operation, declining over the period from 1998 to 2000. Existing utilities would keep priority rights on access to capacity, in order to service residential and smaller customers.

An information memorandum is to be issued in July, and indicative bids are likely to be sought and reviewed in September. The book value of the existing pipeline now stands at A$1.05bn, and funds raised from the sale would go largely on debt reduction.

● Mr Michael Egan, New South Wales state treasurer, last night unveiled a discussion paper, mooting privatisation of the state's electricity industry. The plan could see part of the estimated A$22bn proceeds reinvested in other social and infrastructure projects. Another option would be to use some money to pay state debt of A$13.2bn.

Mr Egan said the plan "gives us the opportunity for taking A$22bn tied up in electricity assets and reinvesting those public assets for the benefit of the community". But he said it would only go ahead if "the government, the party and the community are satisfied it's the right thing to do".

ASIA-PACIFIC NEWS DIGEST

Qian firm on HK legislature

Mr Qian Qichen, China's foreign minister, yesterday rebuffed pressures from the Hong Kong government and Mrs Anson Chan, its chief secretary, over formation of the territory's first post-colonial legislature. Addressing a committee in Beijing discussing election rules and procedures for the legislature, Mr Qian said arrangements had already been laid down in the Basic Law, the constitution for Hong Kong after its handover to China on July 1. The Basic Law provided for gradual democratic development and elections would be fair, he said.

Mr Qian dismissed criticism over electoral arrangements, which has focused on an expected shift from single-seat constituencies to a form of proportional representation. Mr Chris Patten, the Hong Kong governor, and pro-democracy parties have claimed the aim of such reforms is to reduce the seats won by democratic forces.

Mr Qian's remarks appeared to criticise Mrs Chan, who will retain her post as head of the civil service in the post-handover administration. *John Ridding, Hong Kong*

ANA chairman to resign

All Nippon Airways, Japan's second largest airline, announced yesterday that Mr Tokuji Wakasa, 82, honorary chairman, would resign from the board at the company's next board meeting. The decision comes in the wake of a highly controversial power struggle within ANA which resulted in the decision to resign of the airline's respected president, Mr Seiji Fukatsu.

Mr Wakasa, who was convicted in the Lockheed bribery scandal in the 1970s which involved high-ranking businessmen and politicians, including a former prime minister, had clashed with Mr Fukatsu over personnel issues and management style and triggered the latter's unexpected resignation. *Michiyo Nakamoto, Tokyo*

Editorial Comment, Page 23

Megawati will refuse to vote

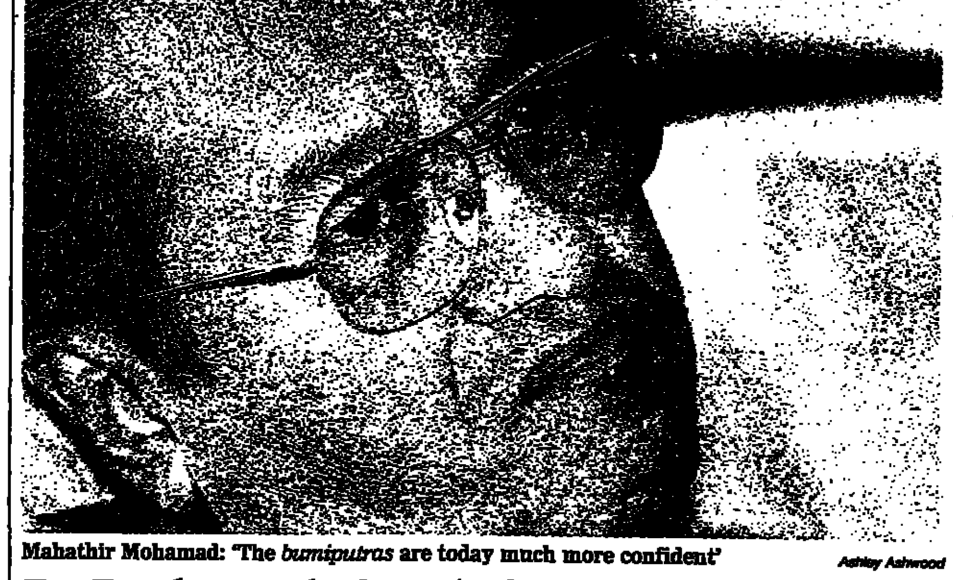
Indonesia's ousted opposition leader, Ms Megawati Sukarnoputri (*pictured left*), proclaimed publicly for the first time yesterday that she would not vote in the general elections next week and advised her supporters not to cast ballots in favour of the minority party she used to lead. The statement is a blow to the credibility of the elections and is certain to spark concern among government officials who place great importance on a high voter turnout. Indonesians are due to vote on May 29, when President Suharto's ruling Golkar party is expected to win a sixth five-year mandate.

Although Ms Megawati did not call for a mass boycott, her decision not to vote will be an example to others, including her supporters and those disillusioned with President Suharto's 30 or so years in power.

The Indonesian authorities engineered the removal of Ms Megawati as leader of the PDI last year in a move that led to some of the worst rioting seen in the capital Jakarta in over a decade. *Manuela Saragosa, Jakarta*

Philippine deficit to widen

The Philippine trade deficit will widen from $11.2bn to $13bn-$14bn this year, Mr Gabriel Singson, central bank governor, said yesterday. The current account deficit is projected to reach $4.1bn, representing 4.2 per cent of gross domestic product. *Justin Marozzi, Manila*



Mahathir Mohamad: 'The *bumiputras* are today much more confident' Ashley Ashwood

Mahathir hints ethnic rules may be eased

By Quentin Peel in London and James Kynge in Kuala Lumpur

Dr Mahathir Mohamad, Malaysia's prime minister, gave a strong indication yesterday that the country is ready to relax rigid rules which discriminate in favour of its ethnic Malay majority throughout the business sector.

In an interview with the Financial Times, Dr Mahathir said that economic realities had left Malaysia with no choice but to roll back some aspects of the preferential treatment accorded to *bumiputras* (indigenous peoples).

"It is a question of being pragmatic," he said. "We have full employment. All the *bumiputras* who can be employed are employed. To deny ourselves new opportunities because we don't have the people would be silly.

"We appear to be relaxing, but actually, we don't have any choice but to relax. We are short of skilled labour."

As part of the process, all quotas on *bumiputra* ownership and employment have already been waived for companies which plan to operate within the multimedia super corridor (MSC), a 750 sq km zone near Kuala Lumpur which Malaysia hopes to transform into its version of California's Silicon Valley. Dr Mahathir is in the UK to promote the MSC, the infrastructure for which is currently being built.

Another sign of change is a special dispensation promised to high-technology companies which plan to list on a new Malaysian stock exchange, called Mesdaq, due to open late this year. Companies quoted on Mesdaq will not have to satisfy a hitherto iron-clad rule that *bumiputras* must own at least 30 per cent of a company's equity.

Dr Mahathir promised that multi-media operations in the MSC would be subject to minimal regulation, and no censorship, which operates in the rest of the country. But he insisted controls would remain on electronic information outside the MSC.

"Within that area, they are free to do as they like," he said. "They will be operating outside the normal constraints found in most countries. That does not mean they can distribute throughout the country if it would be harmful." As harmful he cited material likely to inflame racial tension in Malaysia.

The prime minister argued that the policy of affirmative action, introduced after harrowing race riots in 1969, had been a success, and *bumiputra* companies were now competing successfully in sectors such as information technology.

"The reliance on government is something that we have always regarded as temporary," he said. "The *bumiputras* are today much more confident that they can compete with others. They are not asking for too much protection."

The policy aims to give Malays economic parity with the country's wealthier Chinese minority, which accounts for 28 per cent of the population but controls a much larger proportion of the economy. The policy sets out quotas for *bumiputras* at all levels of the corporate hierarchy, for university students, in the allocation of housing, shares and many other resources.

Dr Mahathir gave no indication of the speed with which further relaxation might come. Observers in Kuala Lumpur believe that any such process will be slow.

Senate backs constitutional change

Boost for Cardoso re-election hopes

By Geoff Dyer in Brasília

The Brazilian senate has voted in favour of a constitutional amendment allowing President Fernando Henrique Cardoso to stand for re-election next year, despite the corruption allegations surrounding an earlier vote in Congress.

Passage of the bill would permit Mr Cardoso to be the first president since the founding of the republic in 1889 to be a candidate for re-election and would give a boost to the government's efforts to push other key reforms through Congress.

Although the senate still has to vote again on the amendment, political analysts said yesterday the re-election bill was now almost certain to be passed.

Senate approval of the bill had been seen as a formality until a Brazilian newspaper published allegations last week that several deputies had been paid to vote in favour of re-election when the lower house approved the amendment in January.

The Folha de S. Paulo printed transcripts of a taped conversation in which one deputy claimed to have received R$200,000 (US$187,000) in cash in return for voting for re-election.

The newspaper also printed a conversation in which one of the deputies said part of the money had come from Mr Sérgio Motta, the communications minister and a close ally of Mr Cardoso. Mr Motta has denied the allegations.

Two of the deputies involved in the allegations, Mr Ronivon Santiago and Mr João Maia, resigned from Congress on Wednesday shortly before a preliminary parliamentary investigation into the scandal recommended they be impeached.

However, opposition deputies have so far failed to collect enough signatures to secure an urgent and full inquiry, known as a CPI, which could delay the re-election amendment and also votes on other important pieces of legislation for several months.

"This scandal will now disappear because the two deputies have resigned and because the government has avoided the turmoil of a CPI," said Mr Walder de Góes, a political consultant in Brasília.

Although the evidence against Mr Motta is weak, the scandal caused a sharp drop in the stock market last week and has had a significant impact on the government's popularity. A recent poll showed a 20 per cent fall over the past month in approval for Mr Cardoso, who had enjoyed a reputation of being free of corruption, although his rating is still high.

The senate voted 63 to 6 in favour of the amendment, well ahead of the 49 votes needed to pass a constitutional amendment. Many opposition deputies were not present. The final vote on the bill, which also allows state governors and mayors to stand for re-election, is not expected until at least June 4.

Problems mount for Haiti leader

Préval: faces protests

Aristide: eyes on 2000

Mr René Préval, Haiti's beleaguered president, has been hearing disconcerting voices recently. One is that of Mr Jean-Claude Duvalier, the former dictator overthrown and exiled by a popular rebellion 11 years ago.

In a radio address, Mr Duvalier, who lives in France, asked to be pardoned and to be allowed to help "change" Haiti. Mr Préval, facing a wave of public protests against his attempts to deregulate the economy, and hampered by a widening split in the political coalition which ensured his election 18 months ago, declined the offer.

But the president is more worried by an insistent voice from the immediate past. Mr Jean-Bertrand Aristide, the populist former president, and once considered Mr Préval's mentor, has become one of his harshest critics.

In recent legislative elections, Mr Aristide's faction of the incumbent Lavalas (Flash Flood) coalition made gains which indicate Mr Préval could have difficulty in getting approval for his economic programme.

Mr Aristide's political stock is expected to rise after run-off elections in several constituencies next month. He has two aims: to abort the government's economic reforms and create a political base for his campaign for the presidency in 2000.

At the centre of their disagreement is the effort to privatise unprofitable state enterprises, including the telecoms and power companies, a cement plant and a flour mill, two banks and the main airport and seaport. The government is also trying to cut the bloated civil service and ease pressure on the budget.

Mr Aristide reneged on a promise to foreign donors and creditors to implement the reforms, particularly the privatisation, and has been arguing openly and frequently against his successor's efforts to start the programme.

After several months' indecision, during which street protests broke out against the privatisations, Haitian legislators approved the programme late last year. The government is planning to invite bids for the enterprises.

Implementing the economic reforms will unlock hundreds of millions of dollars promised by donors and creditors. Mr Préval contends also that unless infrastructure such as telecoms, electricity and transport are modernised, Haiti cannot hope to attract the foreign investors it needs to build the economy and create jobs to curb unemployment of 60 per cent.

Since 1991, when Mr Aristide was overthrown and exiled, Haiti's economy has contracted by about 40 per cent. Haiti's 7m people are among the poorest in the hemisphere, with income per head of $210.

Some foreign assistance may follow parliament's ratification of the budget this month, seven months into the fiscal year. More than two thirds of the budget is being financed by foreign aid, withheld while legislators hesitated.

The government has been financing its operations mainly through tax receipts, and all capital spending has been frozen.

A wave of violent crime has also added to Mr Préval's problems. Several people have been killed since the start of this year in what government officials say are fights among gangs involved in illegal drugs. An international peacekeeping force has been assisting Haiti's newly created constabulary.

Mr Aristide has opportunities to take political advantage of Mr Préval's problems, and to help prepare his candidacy for 2000. With the lack of the substantial quantities of foreign assistance promised, most Haitians have yet to see an improvement in their lives since the military junta was forced out of the country by a US invasion four years ago.

Widespread public disenchantment is reflected in the frequent strikes and street protests which have hit the country in recent months. Protests organised by populist groups have demanded the resignation of Mr Rosny Smarth, the prime minister, for wanting to implement economic reforms.

Victories by Mr Aristide's faction in the first-round vote could lead to increased pressure in the legislature on Mr Smarth, who recently survived a censure motion for trying to start the reforms. If another motion is successful, Mr Smarth will be forced to resign, further disrupting the government's economic programme.

Mr Préval has good reason to eschew Mr Duvalier's plea to return to "help". The family dictatorship which ruled the country for 30 years has some support, but many of its excesses are still fresh in Haitian minds. Mr Duvalier could expect to be the subject of widespread anger. Containing this would be another problem Mr Préval could do without.

Canute James

Mexico growth rate defended

By Daniel Dombey in Mexico City

Mexico's central bank has furiously denied it is overheating the domestic economy – just as newly published figures show retail sales continuing a two-year fall.

Mexico's gross domestic product grew 5.1 per cent for the first quarter against the same period last year, but the domestic sector lags far behind. First-quarter retail sales were 3.5 per cent below the level for the first quarter of 1996, itself down 10 per cent from 1995.

The bank's continued sensitivity, 2¼ years after the disastrous 1994 peso devaluation, illustrates how strongly it feels the pressures to continue a cautious, conservative approach. Bank officials said that even if the country grew considerably more than expected for the current year, it would still keep to its present targets for money supply for the end of the year.

Reports linking a surge in the money supply in recent weeks to crucial congressional elections to be held on July 6 angered the bank, and normally reclusive top officials leapt to defend themselves.

In 1994, a presidential election year, the bank let the money supply grow ahead of demand, a move thought to have contributed to the devaluation. But it is now keen to show both its monetary strictness and its independence of the executive arm of government.

AMERICAN NEWS DIGEST

Bipartisan plan to reform FDA

Congress is pursuing plans for limited reform of the Food and Drug Administration (FDA), with bipartisan legislation introduced yesterday to speed regulatory approval of medical devices.

Chastened by their performance in last year's elections, Republicans have backed away from their plans for a radical overhaul of the regulatory agency, and are instead seeking bipartisan support for piecemeal reforms.

Yesterday's bill, which has support from some prominent Democrats as well as Republicans, would allow the FDA to privatise the approval of low-risk devices, such as surgical gloves and syringes, though the agency would still have to approve life-saving devices such as heart pacemakers. A proposal to allow independent approval of life-saving devices as well was dropped to improve the chances that Democrats will support the bill.

The cumbersome regulatory process has meant new technologies are introduced overseas first. The bill would allow devices approved overseas to come immediately to the US market, because the US would accept international performance standards.

Patti Waldmeir, Washington

Review for company auditors

The US's first broad review in nearly 15 years of the independence of company auditors is set to begin within weeks, following agitation from Mr Arthur Levitt, chairman of the Securities and Exchange Commission.

Mr Levitt's agency and the American Institute of Certified Accountants earlier this week announced a joint body, the Independence Standards Board, to set standards which ensure that auditors are fully independent of public companies whose accounts they verify.

The SEC last laid down standards in this area in 1983, before the expansion by most large accounting firms into management consulting and other advisory services. That push has raised concerns in some quarters that accounting firms are now so dependent on their customers for other fees that the independence of their audit work could be in danger.

The new board, with four members drawn from the accounting profession and four from outside it, is likely to lay out a timetable for overhauling the SEC's existing standards when it meets for the first time early this summer, the AICPA said.

Richard Waters, New York

US imposes Iran sanctions

The US yesterday imposed sanctions on two Chinese and one Hong Kong company suspected of having contributed to Iran's chemical weapons programme.

Mrs Madeleine Albright, the US secretary of state, used the action, while testifying before a congressional committee, to proclaim the administration's "deep concern" about Chinese companies' contribution to weapons proliferation. However, senior US officials have privately said Beijing's co-operation on weapons sales to outlaw states has improved. The State Department noted that it had "no evidence that the Chinese or Hong Kong governments were involved in the specific transfers that have provoked these sanctions".

The companies allegedly exported dual-use chemical precursors or chemical production equipment and technology to Iran.

The punishment prohibits any imports from these entities to the US for at least a year and denies them US government contracts.

Nancy Dunne, Washington

Investigation seen as signal that government will intervene in rail privatisation process

Monopolies move hits transport shares

By Charles Batchelor and Charis Gresser

Shares in the National Express coach group fell 5.5 per cent yesterday after the government ordered that its acquisition of the ScotRail and Central Trains rail franchises should be investigated by the Monopolies and Mergers Commission, the competition body.

The prices of other transport companies with rail interests also fell sharply as the City reacted to a move widely seen as a warning that the government will intervene even at this late stage in the rail privatisation process.

Mrs Margaret Beckett, president of the board of trade [chief trade minister], ignored the advice of Mr John Bridgeman, director-general of fair trading, to clear the ScotRail acquisition – provided National Express sold off its Scottish coach company – and to allow the Central Trains acquisition through without conditions.

Mr Colin Child, National Express finance director, said he was "surprised" at this ruling, particularly because the office of fair trading had had no objection to the company's acquisition of the Central franchise.

There was strong competition in Scotland from other bus and train operators, he added.

National Express would have liked the opportunity to discuss the possible divestment of Scottish Citylink, its Scottish express coaches subsidiary, and hoped to discuss this and other options with the MMC.

This is National Express's second brush with the competition authorities.

Earlier this year it was forced to give guarantees that it would not increase coach fares or reduce timetables to win MMC approval for its acquisition of the Midland Main Line franchise.

Mrs Beckett said that the acquisition of the ScotRail and Central franchises raised competition concerns in the supply of public passenger services in Scotland and the English midlands.

She had decided in both cases "that the merger should be referred immediately to the MMC for a thorough investigation". The MMC has until September 19 to report.

National Express's shares closed down 28½p to 490½p, compared with a high earlier this year of 573¾p. ScotRail and Central Trains are forecast to contribute £5.2m ($8.42m) of operating profits to total operating profits of £78.4m in the current financial year, according to NatWest Securities.

Other bus stocks were also hit on fears that those awarded rail franchises could also come under scrutiny. A tougher regulatory climate was also a concern.

Stagecoach slipped 13p to 648p, while Go Ahead slumped 23p to 445½p and FirstBus eased 7½ to 214p.

National Express was the most successful bidder for rail franchises, winning five of the 25 on offer – more than any other bidder. Apart from the three subject to competition inquiries, it also owns the Gatwick Express and North London Railways franchises.

Its move into rail services followed its earlier expansion out of coaches into airports and buses.

BANK OF ENGLAND REFORM – Investors concerned over lack of detail

Financial regulation comes under one roof

By George Graham and William Lewis

City regulators set to work yesterday to try to flesh out the plans for creating a new and all-embracing regulatory authority for the UK financial services industry.

Mr Howard Davies, deputy governor of the Bank of England, has two months before he is due to take over as chairman of the Securities and Investments Board, the umbrella regulator which is to assume responsibility for regulating everything from banking to pension sales.

But although the broad outline of the new super SIB has been sketched by Mr Gordon Brown, the chancellor of the exchequer, many of the details of how it will work remain to be filled in.

The financial institutions which will come under Mr Davies's wing now want to know where they stand as soon as possible.

"I would rather see decisions taken and maybe one or two of them be wrong than dither around," one senior banker said.

In a first phase, responsibility for supervising banks will be transferred to SIB by a bill that is expected to be passed before the end of this year.

In the next session of parliament, the 1986 Financial Services Act will be overhauled to bring self-regulatory organisations such as the Securities and Futures Authority, the Investment Management Regulatory Organisation and the Personal Investment Authority into SIB.

Sir Andrew Large, who will hand over SIB chairmanship to Mr Davies in July, has been given until then to draw up a blueprint detailing how the self-regulatory organisations should be merged into an enlarged SIB.

But Mr Phillip Thorpe, chief executive of Imro, regulator of the fund management industry, warned Sir Andrew that "key questions" need to be answered if the government's planned overhaul of financial services regulation is to be successful.

Mr Thorpe said that the three SROs currently use different supervision and enforcement methods to regulate their industries.

"Which methods should be used?" he said. "Should a single method be used? If several methods are to be used then how do it in one organisation?"

Imro employs a relative risk assessment process which leads it to target resources at firms seen as potentially risky and reduce the regulatory burden on those deemed low risk.

Mr Thorpe also said that the three SROs have different enforcement styles, including the level of fines they levy. "That is another key question," he said.

The financial institutions which will eventually come under SIB's aegis range from small financial advisers to multinational investment banks, but they are concerned that the new structure will deal with them even handedly.

"The most important priority is to make sure the playing field is level for everybody and that if the goal posts are moved, they are moved for everybody at the same time," said a senior City executive.

Fund management houses which have come under Imro say that their regulator has been tough and effective. They complain, however, that competitors offering much the same kind of product who happened to be regulated by less effective organisations such as Fimbra and Lautro – now merged into the PIA – have got away with a much lighter regulatory regime.

Trevor Humphries

Moving on: Howard Davies is to become chairman of SIB

Farming minister focuses on consumers

By Maggie Urry and George Parker

Mr Jack Cunningham, the UK agriculture minister, vowed to "have a consumer voice on every one of the advisory committees" the department runs, in a move towards more openness and public scrutiny.

In an interview with the Financial Times, he emphasised that the health and safety of consumers was his priority in a "reorganised, redirected and reinvigorated" department. He promised "bold and dramatic changes".

In the past, the ministry has been accused of putting industry concerns before those of consumers. Food policy experts have criticised the advisory committees – such as those on BSE or mad-cow disease, and novel foods, including genetically modified organisms – for being the preserve of scientists and industry representatives.

However, after only three weeks in a job which he did not expect before the general election, Mr Cunningham has yet to make any important policy decisions, for instance on the beef export ban, fishing quotas or reform of the Common Agricultural Policy.

He said reform of the CAP was inevitable. Half the CAP budget went on supporting cereals, beef and milk, products which were in excess supply. "In my view, there is no future for milk quotas," he said. He is to discuss the milk regime over the weekend and at an informal meeting of the European Union agriculture council.

He said that he expected the UK to push its European counterparts towards CAP reform during its EU presidency in the first half of 1998.

On the beef ban, he said that although he had received a warm welcome in Brussels, there was "no guarantee that we're going to get exactly what we want. We have still got to find solutions which will carry the opinion".

He was pressing in Brussels for the agriculture council to accept a Commission proposal to make controls on beef as stringent elsewhere in Europe as they are in the UK.

More in line with US and Germany

Within two weeks, Mr Gordon Brown, the chancellor, announced two of the biggest changes that could happen to a central bank: virtual independence in the pursuit of monetary policy, and its physical separation from banking supervision.

Mr Brown's combined proposals are certain to have an unprecedented impact on central banking culture in the UK, which has been traditionally distinct from that of the US and Germany.

The changes will bring the Bank of England more into line with the Bundesbank and the Federal Reserve, both structurally and culturally.

The new Bank's job will be to focus much more single-mindedly on meeting its monetary policy objectives. It will look more towards the country as a whole, and much less to the City of London. It will focus more on fighting inflation.

Mr Charles Goodhart, professor of banking and finance at the London School of Economics, said: "The day-to-day links with individual commercial banks will be less and the Bank of England will be driven by economic analysis and forecasting and rather less by City considerations.

"But City considerations are not going to disappear altogether. It does not mean that the Bank of England will cease to concern itself about systemic failures."

The Bundesbank's prime concern is the pursuit of monetary policy with the aim of achieving price stability.

Mr Rolf Breuer, the new chairman of Deutsche Bank and a long-standing proponent of more proactive government policy to boost Frankfurt's international position as a financial centre, said in a recent Financial Times interview that the Bundesbank may have tried to promote German financial markets when it could but "what they had was a sort of priority conflict.

"So they did not want to give the impression that the financial market comes first and then stability – it was just the other way round".

Another observer remarked "that is one of the reasons why the Eurodollar markets are in London rather than in Frankfurt". Out of political considerations, the future European Central Bank will also fall in the same category of central banks. French officials have expressed suspicion that Germany may use the ECB to promote Frankfurt as a financial centre at the expense of Paris.

By contrast, the old Bank of England's remit has been wider. It had an explicit role as a guardian, lobbyist and policeman of the financial system in general and the City of London in particular. In future its role will decline to that of a customer of the financial system.

One member of the previous chancellor's panel of financial advisers believes that this development is a mistake. "It is a good thing to have banking supervision inside the Bank," he said. "A separate agency has no money whereas a central bank at least has the power to print notes. It can give capital assistance if a bank gets into trouble."

The new focus will bring other cultural changes. Independent central banks, for example, tend to be far less discreet and secretive. Furthermore, the Bank will have to take on a political dimension, since setting monetary policy remains a highly political task. Even hardline monetarists acknowledge that monetary policy requires a great deal of judgment in addition to scientific analysis.

The political battles previously took place at the monthly monetary policy meetings between the chancellor and the governor of the Bank. This will shift to inside the Bank itself – to the Bank's proposed monetary committee, a move which could have implications for appointments. Since the government has removed itself from the process, it may now have to inject politics into the central bank as a recompense.

The boards of the Federal Reserve and the Bundesbank are highly politicised. Mr Hans Tietmeyer, the president, was a former finance ministry official and close adviser to Chancellor Helmut Kohl. The Bundesbank council also includes a former EU commissioner and a state finance minister.

The Bank of England may find it will have to develop more finely tuned political antennae – listening especially to the concerns of the regions, especially after devolution. The regional representatives on the board of the Bundesbank, widely dismissed as backwoodsmen, are a powerful force in German monetary policy.

If Britain were to join European economic and monetary union, full central bank independence would be a legal prerequisite, set out in the Maastricht Treaty. By opting for this particular structure, Mr Brown has taken an important step in the preparation for Emu, whether by intent or not.

Wolfgang Münchau

Hopes for N Ireland assembly improve

By David Wighton, Political Correspondent

Plans for a Northern Ireland assembly could be agreed before the end of the year, said Mr David Trimble, leader of the Ulster Unionists yesterday.

He was upbeat about the prospects for multi-party talks, which resume on June 3 and said devolution for the province could follow the same timetable as Scotland and Wales, with legislation introduced next year.

Progress hinged, however, on nationalist representatives, particularly Mr John Hume, the Social Democratic and Labour Party leader, being prepared to engage in talks in the absence of Sinn Féin, the political wing of the Irish Republican Army.

"If there was a serious engagement by the SDLP, I think we would know very quickly indeed as to whether we could get an agreement," said Mr Trimble, whose party is the largest pro-British party in Northern Ireland.

"I see no reason why there cannot be rapid progress in this matter."

Mr Trimble, at a Westminster press conference, played down comments by Ms Marjorie Mowlam, Northern Ireland secretary, which appeared to suggest the talks would go ahead even if all the unionists pulled out.

He said they had been "unconsidered remarks" in response to an interviewer and should not be taken as a statement of policy.

Ms Mowlam yesterday attempted to clarify the comments, which had drawn sharp criticism from the Democratic Unionists, who are worried about an apparent softening of the government's conditions for allowing Sinn Féin into the talks.

Mr Peter Robinson, deputy leader of the Democratic Unionists, accused Ms Mowlam of being "a loose cannon". But Ms Mowlam said she meant that no one party should have a veto.

Even this was implicitly denied by Mr Trimble. He said: "Without me there is no viable process."

Brushing aside Ms Mowlam's remarks, he said attention should focus on the recent speech by Mr Tony Blair, the prime minister, which received an enthusiastic welcome from unionists.

Mr Blair said conditions for Sinn Féin's entry into the negotiations remained an unequivocal IRA ceasefire in which words were matched by deeds.

Ms Mowlam said this made it unlikely Sinn Féin would be admitted in time for the start of the talks.

Ms Mowlam was speaking before leaving for Washington where she will ask for US help in pressing the IRA to call a ceasefire. She will be meeting government officials and leading Irish-American politicians.

"I shall encourage those Americans with Northern Ireland's best interests at heart (and there are many of them) to bring their influence to bear on Sinn Féin to respond to the prime minister's initiative, seeking a restoration of an unequivocal ceasefire that would enable Sinn Féin to enter the talks process," she said.

Operators collaborate in 'world phone' trials

By Alan Cane in London

Vodafone, the UK's leading mobile phone operator, and Qualcomm of the US are collaborating in trials which could lead to the emergence of the first "world phone", capable of functioning in the US, Europe or Asia.

The trials will take place in the UK this year. The aim is to test the feasibility of developing a mobile phone network combining the best features of Europe's GSM standard and its US competitor, CDMA.

CDMA (code division multiple access) has found favour with a small number of US operators, but could prove superior to GSM for basic network technology.

Qualcomm, based in San Diego, has taken the lead in modifying CDMA technology, which is derived from military satellite communications, for civilian use. It promises to lower costs, allow up to 10 times the number of calls over the same radio spectrum as today's analogue systems and reduce failed calls.

One-2-One, the smallest of the UK's four mobile phone operators, is introducing new tariff packages from June 3, but claims it is not starting a price war, Alan Cane writes.

The new packages are similar to those pioneered two years ago by another mobile operator, Orange, in which a number of free minutes of talk time is included in a monthly fee.

One-2-One has been struggling to overcome the effects of a launch initiative in which customers were offered free calls at the weekend and in off-peak hours, resulting in congestion on the airwaves and loss of revenues.

GSM (Global Standard for Mobile telephony), however, has been established in Europe since 1982 and is used by more than 40m customers in 109 countries. It is gaining popularity in the US with 400,000 customers in 323 North American cities.

The trials will involve four CDMA commercial base stations and a controller provided by Qualcomm, while Vodafone will provide the physical sites and a mobile switching centre. The handsets will be modified Qualcomm phones using software from The Technology Partnership, a small UK consultancy whose technology is increasingly used by mobile phone manufacturers.

The companies said the results of the trial would be available to the mobile communications community with a view to helping in the development of a third generation standard.

● The Technology Partnership said it had sold more than 1m sets of silicon chips developed for mobile phones in the past six months.

Manufacturers seeking fast entry to the mobile handset market can buy the partnership's chips off-the-shelf to power their phones.

The partnership's customers include Toshiba of Japan and Hagenuk of Germany. The company said it had about 10 per cent of the world market for handset technology.

UK NEWS DIGEST

Political vote demand denied

The former ruling Conservative party's 164 MPs last night rejected a demand by grassroots activists to have a vote in next month's leadership election.

After a meeting of the backbench 1922 committee, Tory MPs decided the contest to replace Mr John Major should be run under existing rules. That means the MPs will remain the only people to elect his successor.

The parliamentary party unanimously backed a statement by Sir Archie Hamilton, the 1922 committee's chairman, which said there must be "root-and-branch" reform of the party's organisation after the new leader is chosen. This would almost certainly encompass a change to the method by which new leaders can be elected.

However, yesterday's decision by the 1922 committee – and the very short length of time it took to reach it – was a clear snub to Mr Robin Hodgson, the chairman of the activists' National Union, who had insisted that activists must be allowed to vote in next month's poll.

It was also a rebuff to Mr Brian Mawhinney, the party chairman, who had suggested that an electoral college should be set up at once in which activists had 15 per cent of the total vote. Backbench MPs will be privately informed of the activists' choice before the first ballot in the leadership election on June 10.

But the Conservatives could face the embarrassment of having a new leader elected by MPs at Westminster while the unofficial poll conducted by the activists selects someone else. *James Blitz, London*

■ DEVOLUTION

Warning on Scottish tax levy

Sir Bruce Pattullo, chairman of the Bank of Scotland, has warned that the proposed Scottish parliament may eventually tax goods and services or levy an additional Scottish sales tax to gain revenue.

The warning, in the Edinburgh institution's annual report, angered the government, which laid great emphasis on Scottish and Welsh devolution in its election campaign. Other supporters of devolution have accused Sir Bruce of scaremongering. Under Labour's plans, the Scottish parliament would be able to vary the basic rate of income tax by up to 3 pence in the pound, provided this power were approved in the referendum on the scheme, expected in the autumn. The revenue would supplement the annual grant Scotland receives from the Treasury.

Sir Bruce said that apart from being controversial, "many serious collection, administrative and motivational problems concerned with this income tax levy remain hidden. "For these reasons, the likelihood of a switch to some form of tax on goods or services, or an additional Scottish sales tax, must become a distinct possibility."

But Mr Henry McLeish, the Scottish Office minister responsible for devolution, said the only form of taxation the government was considering for the Scottish parliament was extra income tax. *James Buxton, Edinburgh*

■ RAILWAYS

$61m order for rolling stock

National Express Group, the coach and rail operator, has ordered 13 new two-car trains from Adtranz (ABB Daimler-Benz) for its Midland Main Line train company at a cost of £38m ($61.56m). It is the fifth rolling stock order to be placed since rail privatisation and confirms the growing momentum of new train orders following a gap of nearly three years while British Rail was sold off.

It is the first time that new trains have been ordered to allow an increase in service frequencies rather than to replace obsolete rolling stock, said Mr Richard Brown, managing director of National Express's trains division.

The new trains will be run in conjunction with Midland Main Line's existing fleet of 14 high-speed trains which are being refurbished and which will concentrate on longer-distance services. The trains will be built at Adtranz's Derby works, securing about 200 jobs, and will be maintained by the company for seven years. The deal has been financed by Porterbrook Leasing, the rolling stock leasing company acquired last July by Stagecoach, the bus and trains group. *Charles Batchelor, London*

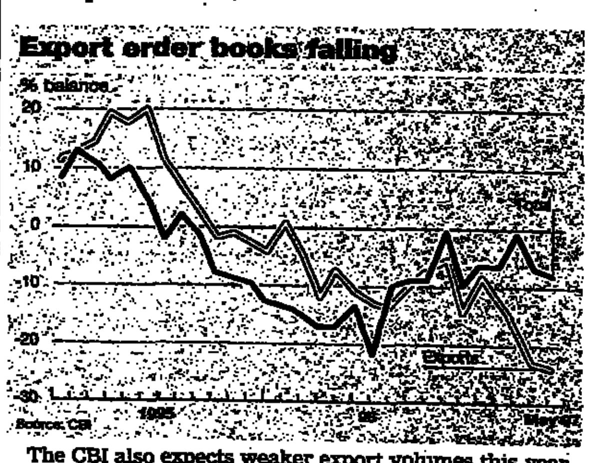
■ EMPLOYERS' FORECAST

Curb on consumer spending urged

The Confederation of British Industry is to call for the government to restrain consumer spending by raising personal taxes in the forthcoming Budget.

The main UK employers' organisation said yesterday it would present the details of its recommendations when the date of the budget was known. Ms Kate Barker, the CBI's chief economist, said it would call for "a modest fiscal tightening" that should fall mainly on consumers.

Ms Barker's comments came as the CBI published its quarterly forecast, which predicted the UK "will enjoy robust economic growth over the next two years". It expects the economy to expand by 3.1 per cent this year and 2.7 per cent in 1998.



The CBI also expects weaker export volumes this year compared with last, because of the strength of sterling and the slow recovery in Europe. In its latest monthly survey of companies, 39 per cent said their export orders were "below normal", the lowest level since 1993.

Ms Barker said there were evenly-balanced risks that the economy could go grow faster or slower, depending on sterling's exchange rate and the reaction of consumers receiving "windfall" pay-outs from former mutually-owned home loan companies. *Richard Adams, London*

■ LONDON STOCK EXCHANGE

Cost-cutting boosts profits

The London Stock Exchange is to pay a £10m ($16.20m) rebate to member firms after severe cost-cutting boosted its profits last year. Booming share trading volume and a strong inflow of companies wishing to list their shares on the London market helped to support the Exchange's total income at £191.8m in the year to March 31, despite the gradual loss of fees from settlement.

Settlement of share bargains started to move from the Exchange's Talisman system on to the independent Crest system last year, but last year's results still included around £55m of income from settlement. The transition to Crest was completed in April so that income will disappear entirely in the current year. As a result, the Exchange faced a monumental task in cutting costs in line with future income. Costs were cut last year by 24 per cent to £122.4m, the fourth year in succession that they have been reduced. Provisions of £41.5m were set aside to cover restructuring costs. *George Graham, London*

RECRUITMENT

Universities should do more to push graduates into the job market, says **Richard Donkin**

Hostile culture of the ivory towers

Those responsible for recruiting graduates among UK businesses could be forgiven if they found a new report on the job-finding efforts of students depressing reading.

The report by High Flyers Research, graduate employment consultants, criticises the "hostile culture" towards employers that persists in Britain's leading universities.

This culture, which promotes academic achievement over job-finding, was blamed in the report for a low level of job expectations among students. Only just over a quarter of 12,000 final-year students surveyed in 24 top universities said they believed they would start a graduate job after university.

Mr Martin Birchall, director of the research consultants, criticises universities for failing to encourage students to plan their careers. The problems are so entrenched that Sir Ron Dearing is expected to make a number of recommendations for reform in his review of higher education.

It would seem that the traditionalists are already facing pressure for change from within the system. Mr Simon Hamm, careers guidance and placements tutor at the European Business School London, says it is time for university careers centres to become less of a library and information service and more of a marketing team actively helping students to find work.

"It is absolutely appalling that universities treat students as third-rate citizens. It's not good enough just to give them a book on how to be an accountant," he says. "There should be a careers education module in all courses that gets students thinking about the implications for careers of their particular course."

Mr Hamm believes the publication of university destination statistics could help people select their courses and colleges. Such statistics, however, have been notoriously hard to come by, particularly when universities suspect they may be included in league tables.

There is also a caveat attached to such tables in that many of the universities which tend to do well in these comparisons run a high number of sandwich courses. It might, however, be possible to include a weighting to account for such courses.

It may also be possible to publish other figures which could be useful to prospective students. Mr Tony Watts, director of the National Institute of Careers Education and Counselling in Cambridge, is compiling a report for the Association of Graduate Careers Advisory Services, due to be published next month.

He found big inconsistencies in the quality of careers advice at different universities with ratios of students to advisers ranging from 1,000-1 to 7,000-1. "Some have the resources for innovation and development but some are trying to cope providing a minimal service to masses of students," he says.

There are other factors in the High Flyers Research findings. Graduate employers, which predict a 12 per cent rise in job vacancies, should not be so surprised if students are reluctant to embark on their careers. Some students who have absorbed the rhetoric that suggests there are no longer jobs for life have become wary about pursuing careers where they feel there is no guaranteed future.

Watts points to the increasing demands of academic life, including greater use of continuous assessment, which encourage students to concentrate on the university work. But such changes, he argues, should not prevent universities from encouraging students to think about their careers at an earlier stage and in a more structured way.

Mr Hamm's demand for universities to become more active would seem to make sense. But it begs the question of whether some can change. These are issues which need to be addressed in detail. If universities are not prepared to put their careers departments on a more professional footing, there may be an argument for scrapping them and either privatising the best ones or centralising the function so that all students can obtain the best advice.

Sport selection

Football club managers accustomed to reading about vacancies in the sports news columns might have been intrigued to see a newspaper advertisement last week for the job of general manager – football operations, and first team coach at Celtic Football Club in Glasgow, Scotland.

The departure of Mr Tommy Burns has not only led to a search for his successor but has also resulted in a remodelling of the club's management along continental lines, separating team coaching duties from those of the general manager who will be responsible for budgets, player transfers and club's overall performance.

The club has asked Melville Craig Group, an Edinburgh-based human resources consultancy, to find the right person. Mr Craig Paterson, group managing director, says the group, which has also been appointed to find a chief executive for the Scottish Rugby Union, has pioneered a new market in sports management recruitment.

"We perceived that the market was going through a substantial revolution that was going to make the management of soccer clubs more complex. Fifteen to 20 years ago, revenue channels were mostly related to gate receipts and match programmes. Today the clubs have to deal with a series of different channels covering such areas as TV, catering and merchandising," he says.

Mr Paterson, who has concentrated on soccer clubs, believes there is potential to sell recruitment services to other sports.

This week NBS, the selection and search arm of the Norman Broadbent group, announced that it was setting up a practice dedicated to sports recruitment.

Mr Jerry Gray, an executive director of NBS, says the time is right for such a development given the twin influences of a growing sports and leisure industry and the impact of the National Lottery. "There is a lot of money coming into sport because of media interest and lottery funding so organisations working in this sector are finding that they need to manage themselves in a much more professional way.

"We see this sector as being one that needs our help. Traditionally sporting personalities tended to drift into management when they finished their playing careers but the sports industry has reached a stage where it needs to draft in people with specialist financial and marketing skills."

Mr Don Parker, deputy technical director of the British Olympic Association, says the new lottery funding requirements expect the Olympic sports not only to have performance directors but cohesive strategies for future success.

"The appointment of the right person to drive the plan is vital," he says. Mr Parker believes candidates need to have a feel for the sport, which would favour former competitors, but the broader managerial skills needed to develop professional sport offer scope for skilled managers to enter sports administration.

Athletes and players who are seeking a future in sports management might also look at developing their business skills by taking an MBA or some other business qualification at the end of their careers.

BANKING FINANCE AND GENERAL APPOINTMENTS

EMERGING MARKETS SEARCH & SELECTION

Our client is a leading Investment Bank in Russia, active across the entire spectrum of Russian financial products. It is a dynamic and entrepreneurial organisation, reflecting the spirit of progress which continues apace in one of the most exciting markets in the world today. With an impressive track record already established across the full range of investment banking products, the firm is currently looking to make a key appointment as follows:

Chief Executive Officer - Asset Management Group - Moscow

With well over US$1/2 billion of funds already under management, they are currently looking to hire the individual who will drive this part of their business to achieve the status of number one asset management group in Russia. This person will develop and implement a product and marketing strategy, co-ordinate the operation of the business, undertake new business initiatives and participate in the formation of investment strategy. They will also be expected to recruit and manage a team of individuals to be responsible for the component parts of the business. This senior role offers tremendous scope and responsibility and as such, the applicant will possess the following professional qualities:

- A strong appreciation and understanding of the fund management industry, ideally gained from within although this may not be your current focus
- A proven ability to build a business in an unstructured environment
- An entrepreneurial and pioneering spirit with the vision and determination to drive projects forward
- Experience of managing a team of diverse professionals
- Strong marketing and sales credentials, with experience in creating marketing strategies and teams
- Knowledge of the emerging markets, specifically Russia, although not essential would be an advantage

The level and structure of remuneration will be commensurate with the degree of responsibility associated with this position and reflects the importance of this business within the firm overall. Equity participation in the asset management firm will be available for suitably qualified candidates.

Please send your CV in complete confidence to Adrian de Vere Green at Emerging Markets Search and Selection, 12-14 Masons Avenue, London EC2V 5BT, U.K. Telephone: 44 171 600 4744 Fax: 44 171 600 4717 e-mail: adrian@emss.co.uk.

EMERGING MARKETS SEARCH & SELECTION

FIXED INCOME - MOSCOW

Our client is a leading Investment Bank in Russia, active across the entire spectrum of Russian financial products. It is a dynamic and entrepreneurial organisation, reflecting the spirit of progress which continues apace in one of the most exciting markets in the world today. With an impressive track record already established, the firm is looking to add a number of key individuals to its Fixed Income division as follows:

Head of Market Making - Russian Fixed Income

A fixed income professional to make markets in Russian local product in order to facilitate customer business. The successful candidate will run a team of 4-5 traders. The ideal candidate will have a minimum of four years trading experience, preferably with some of this gained in the Russian local markets , although this is not essential. Strong candidates with relevant foreign exchange experience will also be considered.

Structured Products - Structurer/Marketer

A structured products professional to create innovative solutions based on the Russian markets to suit clients needs. The successful candidate should be able to look at equity as well as debt structures as the opportunity presents itself. They will communicate ideas both externally to clients and internally to the sales force. The ideal candidate will have 3-5 years experience, preferably with a derivative structuring background and possibly having been involved with options and/or credit derivatives. Experience of working with an internal salesforce would be an advantage.

Economist/Strategist

An economist/strategist to support the proprietary trading book, covering debt and equity across all Eastern European markets. The successful candidate will have strategic input, interacting closely with the overall head of Fixed Income who is also a partner in the firm. As the unit builds a profit record, there could also be a marketing element to the role, with the aim of attracting more capital, both internal and external. The ideal candidate will be an economist with experience, past or present, in the macroeconomic analysis of the Emerging Markets of Eastern Europe. They will preferably have worked in a market environment having strategic input into trading decisions.

This is an opportunity for highly motivated, energetic and entrepreneurial professionals to work in a challenging and dynamic environment in one of the most exciting emerging markets in the world today.

Please forward your CV in strictest confidence to David Williams or Gwen Badeck at Emerging Markets Search and Selection, 12-14 Masons Avenue, London EC2V 5BT. Tel: 44 171 600 4744, Fax: 44 171 600 4717, e-mail: gwen@emss.co.uk.

Equity Research

Developing high-quality chemicals research with a pan-European focus

At J.P. Morgan, a leading global investment bank, the continued growth of our European Equities business is creating further career opportunities in research. Based in London, our equity research effort focuses on selected pan-European sectors.

In order to facilitate our continued expansion in the chemicals sector, we are looking to recruit an equity analyst with a corporate finance/equity research background. Some experience of the chemicals industry would be preferable, although this is not absolutely essential. In liaison with US counterparts, the objective of our research team is to analyse sector trends and company strategies, forecast the results of European chemical companies and chemical/pharmaceutical conglomerates, and ultimately make investment recommendations.

You will initially provide a support function, including financial modelling and written work in response to internal and external client needs. The ability to provide effective marketing support will also be key. However, it is envisaged that the role will grow, allowing you to make a pro-active contribution and take on significant decision-making responsibilities in the future. Regular interaction with fund managers and companies, and frequent travel to Europe can be anticipated.

You will need at least a 2:1 degree in a business, economics or accounting discipline, preferably supported by an MBA. Fluency in at least one other language, preferably French or German, would be an advantage. You will have a high level of self-motivation, excellent verbal and written communication skills, strong financial modelling expertise and the ability to work effectively as part of a team.

To apply, please send a full CV to: Nicole Slim at J.P. Morgan, Recruitment Centre, PO Box 161, 60 Victoria Embankment, London EC4Y 0JP. Closing date for applications: 28th May 1997.

JPMorgan

BUSINESS DEVELOPMENT MANAGER

Corporate finance - Middle East

IBJ

The Industrial Bank of Japan, Limited is one of the world's leading financial institutions with a successful and expanding London Branch based in prestigious City offices.

Through our Origination and Structured Finance Department we are the pre-eminent Japanese bank providing corporate finance in the Middle East and Gulf States.

Continued growth in this area has created an exceptional opportunity for a new Manager to take responsibility for Business Development.

This appointment will also cover the Nordic Countries, Southern Europe and South Africa, but the main thrust will be in the Middle East where you will provide a relationship management service, liaising between clients and the appropriate IBJ specialist financial departments.

We have a Representative Office in Bahrain, but you will operate out of London, working as the main focus of a small, professional team which will provide all necessary support and back-up for your frequent, brief visits to the area.

As a leading and pivotal member of the team you will be dealing with major industrial and commercial organisations plus other banks, providing both solus and joint venture corporate finance for large projects which will include petrochemical and infrastructure developments.

An intelligent and highly motivated self starter of graduate calibre, you must, above all, be a skilled and experienced banker who can make a basic diagnosis of each project carrying out a thorough credit risk evaluation.

You must also demonstrate a detailed knowledge of the Middle East based on sound, practical experience, together with fine honed communication and negotiating skills.

As an ambassador of IBJ you will be expected to maintain our good name and respected reputation through the development, evaluation and fulfilment of world class corporate finance opportunities.

If you are that rare individual we are seeking, you will need no further convincing of the outstanding potential which this position offers.

We are prepared to negotiate a substantial remuneration and benefits package to attract those who can demonstrate quite exceptional abilities and an impressive track record of success in this demanding area.

Please write enclosing your full CV to:-
A. L. Mendleson, Head of Personnel,
The Industrial Bank of Japan, Limited,
Bracken House, One Friday Street,
London EC4M 9JA

European Bank
for Reconstruction and Development

The European Bank has a unique challenge: to assist the countries of central and eastern Europe and the former USSR in their transition to market economies. The European Bank supports projects through lending, taking equity positions and providing technical assistance.

The Banking Department focuses on the development of the private sector, restructuring and privatisation of the state assets, creation and strengthening of financial institutions, development and improvement of the environment, including action to improve nuclear safety.

Along with a competitive compensation and relocation package, we offer action and achievement in a truly historical enterprise.

Senior Banker Telecommunications

The EBRD Telecommunications Banking Team is looking for a new Senior Banker. This is a key role reporting to the head of the Team.

The Senior Banker will be responsible for making a significant contribution to the development and management of the Team's project portfolio. This will be accomplished through the marketing, project screening, due diligence, structuring, negotiation, implementation, and monitoring of projects.

The position is London-based requiring substantial travel to the Bank's countries of operations.

The successful candidate will have: ☐ At least 10-12 years work experience in a major merchant/investment, commercial bank or in a corporation involved in telecommunications related activities as its principal activity. Experience in emerging markets, including central and eastern Europe is preferred; ☐ High level banking/transaction skills and demonstrable expertise in structuring operations, including a proven track record as a deal maker in the telecommunications sector; ☐ Strong marketing and representation skills based on a network of senior contacts within industry, excellent communication and interpersonal skills and a sound understanding of the underlying products and principles; ☐ Very good written and oral communication skills in English. Fluency in Russian or other central and eastern European languages is advantageous; ☐ A degree from a leading university in the country of education; ☐ Computer literacy.

To apply, please send your detailed CV in English, quoting reference number [illegible] to: Kate Baker, European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2EH.

All applications will be acknowledged.
Please help by not telephoning.

European Investment Bank
A career in the heart of Europe

The **EIB**, the financial institution of the European Union, created under the auspices of the Treaty of Rome to facilitate long-term investment financing and to promote the balanced development of the European Union, is currently seeking for its **Directorate for Lending Operations in the European Union** at its headquarters in **Luxembourg** (m/f)

Lending/Credit Specialists

Qualifications: ☐ good university degree in finance/economics. Several years' professional experience, acquired in a **CREDIT DEPARTMENT OF A BANK, FINANCIAL INSTITUTION OR RATING AGENCY,** in examining and carrying through credit operations (preferably long and medium term lending), in particular: risk assessment, analysis and assessment of company performance and competitiveness, financial position, prospects and investment decisions; negotiation and definition of loan conditions and security structure; ☐ experience in assessing the credit worthiness of Banks and financial institutions, with good knowledge of the banking industry and its specific risks; ☐ knowledge of quantitative tools and ability to make qualitative judgements on credit risk and guarantee; ☐ experience and aptitude in direct contact with clients and negotiation of contracts; ☐ ability to draft clear and concise financial reports and recommendations; ☐ sufficiency in computer applications.

Languages: excellent knowledge of **English** or **French** and a good command of the other is essential. Knowledge of other Community languages would be an advantage.

The EIB offers attractive terms of employment and salary with a wide range of welfare benefits. Applications from women would be particularly welcome.

Applicants, who must be nationals of a Member Country of the European Union, are invited to send a detailed curriculum vitae, either in English or French, together with a letter and photograph, quoting the reference, to:

EUROPEAN INVESTMENT BANK, RECRUITMENT DIVISION,
Ref. PMA 9701, L-2950 LUXEMBOURG. Fax: + 352 4379 2545
(http://www.eib.org)

Applications will be treated in the strictest confidence and will not be returned.

هكذا من الأصل

Opportunities in *Corporate Finance*

CAZENOVE
&CO.

To apply please send your CV and covering letter stating current salary package to:

Valerie McKenzie, Head of Recruitment, Cazenove & Co.,
12 Tokenhouse Yard, London EC2R 7AN

The Firm

Acting for more than 340 UK companies and over 100 overseas companies Cazenove & Co is London's leading corporate broker.

The firm distributes securities to more than 1600 investment institutions, supported by research carried out by over 100 analysts. Cazenove Fund Management manages funds, valued at £8.6 billion, on behalf of its clients world-wide. Cazenove's main office is in the City of London but, over the last 30 years, offices have been opened in eleven other financial centres and the firm now employs 1000 people world-wide. The cornerstone of Cazenove's business is its relationships with corporate and investment clients, which are founded on independent and impartial advice.

The Role

We now have a number of opportunities for corporate finance professionals to further their careers in a high profile environment, advising clients on a wide range of corporate finance transactions.

The Candidate

You should have a minimum of two years corporate finance experience, with a thorough working knowledge of yellow and blue book requirements. This experience may have been gained in a similar City institution or possibly one of the larger accountancy or legal firms.

You will have graduated with a minimum 2.1 degree from a leading university and it is most likely that you will have added an MBA or ACA qualification to your career history.

As well as a proven transaction track record, you will need to demonstrate your considerable personal skills - drive, commercial judgement, senior level credibility and also the key presentation, analytical and numerical skills required in this demanding environment.

Cazenove offers an attractive remuneration package which includes a quarterly bonus and a wide range of employee benefits.

CHASE

Outstanding Opportunities in Equity Derivatives Operations

Chase is a leading US Bank with a global network spanning 52 countries and holds an enviable position in the Investment Banking arena. Our commitment to innovation and progression has resulted in increased trading volumes, improved technology and product diversification. In order to support this growth, the need has arisen to hire two Operations Managers in Cash Equities and Equity Derivatives plus a Project Manager for technology implementations and enhancements. Their mandate will be to provide support in London, New York, Hong Kong and Tokyo.

Key responsibilities of the roles will be:

Cash Equities Manager

- Ensuring all aspects of cash equity settlements are managed efficiently.
- Managing the processing of corporate actions and dividends and the calculation of margin requirements for stock borrowing and lending.
- Liaising with traders with same day resolution of problems.
- Developing and implementing new settlement systems to ensure business growth can be supported.

Equity Derivatives Manager

- Managing the settlement of OTC options, exotics, swaps and structured deals and co-ordinating cash equity positions and hedges.
- Effectively lead a team during a period of expansion and work closely with traders and marketers to support trading activities and provide first class customer service.
- Ensuring the accurate calculation and timely payments for resets on equity swaps and option expiry amounts (including exotics).
- Providing user input to technology development to support the business and facilitate robust internal control.

Project Manager

- Implementing high quality technology solutions for analysis, accounting and operational projects for equity swaps and options, convertibles, equities, interest rate swaps and futures and options.
- Ensuring all current systems implementations have up-to-date user specifications and a technology implementation plan with realistic target dates.
- Proactively develop the technology strategy to ensure business is supported effectively.
- Prioritising future enhancements to existing system.

Candidates will demonstrate excellent product knowledge supported by a demonstrable record of achievement in both man management and systems to ensure maximum efficiency in the business. For all positions, excellent interpersonal skills should be linked with the ability to effect and manage change. Potential project managers will fully understand derivatives systems from both a user and development perspective and have excellent analytical skills. These challenging and exciting positions represent an excellent opportunity to join an organisation which will provide ambitious candidates with a real career challenge.

Interested candidates should contact Anne Tinsley at Michael Page City on 0171 269 2305. Alternatively, write to her, enclosing a CV with full salary details at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 405 9649. Please quote reference 351046.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

SENIOR SHIPPING ANALYST
for
H. Clarkson & Company Limited

An outstanding opportunity has been created for this senior position with one of the world's largest shipbroking groups. The successful candidate will work within an existing and successful research and publications division and alongside the senior management of the shipbroking company.

Candidates who sould already hold important positions in similar businesses are invited to contact:

Martin Fairley
Company Secretary
H. Clarkson & Company Limited
12 Camomile Street
LONDON EC3A 7BP
Tel: 0171 283 8955
Fax: 0171 626 2967

MASTERCARD INTERNATIONAL INC.
Tour Maine Montparnasse-33, avenue du Maine, 75015 Paris is currently seeking a :

DIRECTOR ACCEPTANCE

based in Paris

Function: Support Middle East/Africa region in the implementation of brand acceptance in terms of terminalisation, decalisation, marketing and merchant location. Accountabilities: manage country planning process, establish/monitor key performance indicators, implement merchant compliance programs to improve and support acceptance performance in the region.

Candidate: Quality-driven approach, minimum of 5 years related experience, MBA or equivalent preferred. Good management, planning, communication skills. English mother-tongue or perfectly fluent. Willing to travel extensively.

Please write to the above address.

Corporate Finance
Scandinavian Region – Manager

London **£ Excellent**

Our client is a premier global integrated investment bank, renowned for innovation and creativity across its 36 international offices, and with an enviable reputation for its extensive client relationships and quality of service.

With a track record of securing high profile M&A mandates across a variety of markets and industry sectors, this highly regarded bank seeks to strengthen its position in the Scandinavian region through this key appointment within its European Advisory Team.

Focusing primarily on the Scandinavian region, the role will allow immediate responsibility for executing transactions and contributing to the success of this rapidly growing team. In return, the bank offers excellent scope for career development and progression.

The successful candidate will demonstrate the following:

- Minimum of three years M&A experience in a well respected international bank, or if ACA qualified, three years experience gained in a similar capacity within a Scandinavian corporate.
- Fluency in one or more Scandinavian languages in addition to English.
- Strong execution and valuation skills, backed up by a keen intellect.
- The ability to manage resources and work in a team based environment.

This is an excellent opportunity for an ambitious and experienced professional. Interested candidates should contact Jayne Philpott or Annabel Haywood on 0171 269 2298 or write to them enclosing a curriculum vitae to Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 405 9649. Please quote reference 351139.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

SEAFOOD PLANT MANAGER

International Trade & Marketing company is seeking a plan manager for a seafood processing plant in Gambia, West Africa. Applicant should have food processing experience and exposure to a wide range of further processing and packaging technologies. Knowledge and experience with HACCP program. College degree is preferred along with an ability to improve yields, productivity, quality and cost controls. Applicant should be very hands on and possess good people management skills. Must be willing to relocate to the Gambia plant.

Qualified Applicants should send resume to the attention of:
Ms. Vickie A. Hann
Fax: 301-459-6912 or 301-577-2510
Email: 76143,1124@Compuserve.com
Mail: ITA, Inc., 9470 Annapolis Rd., Suite 206
Lanham, MD 20706 U.S.A

A CAREER IN SALES

A major investment bank requires a maths/economic graduate, 21-25 years, with a desire to become a sales person in global financial products.

The candidate should be highly energetic and wildly ambitious.

Enquiries to: Claire Woodward
3rd Floor (desk #:BR006)
135 Bishopsgate
London EC2M 3UR

Ref: GRA

NEW DEALING OPPORTUNITIES
Asian and emerging markets

London ***Substantial packages***

Top five research and agency broking house . . . *specialising in Far Eastern and emerging markets securities. Backed by resources of substantial multinational bank. Blue chip institutional client base. Network of offices across region. Expanding aggressively into additional sectors, leading to new career opportunities in dealing team.*

CB/BASKET TRADER

Substantial, regular experience of basket trades . . . in at least two major stock markets; Asian experience helpful but not essential. Highly numerate, with good understanding of analytical techniques. IT literacy as important as unusual degree of self reliance and autonomy.

SALES TRADER

Significant trading background focused on equity products . . . complemented by proven sales ability. Well used to applying high quality research. Numerate, with well developed computer skills. Used to high degree of independence; commercially astute and highly analytical.

ASSISTANT DEALER

Ideal role for young graduate . . . seeking to learn the business by supporting sales trader, basket trader and market maker. Energetic and computer literate, with significant drive and ambition to move into sales or corporate finance.

Please apply by sending your CV quoting reference R97159 and stating current salary

BIR
B-I-RECRUITING

B-I-Recruiting
24 Queen Anne's Gate
London SW1H 9AA
Fax: 0171 222 8838

EURO
LONDON
APPOINTMENTS

BANKING WITH LANGUAGES
ANALYST – SCANDINAVIAN MARKETS

One of the City's most renowned and pre-eminent financial institutions seeks an analyst, fluent in Swedish, Norwegian or Finnish, to join its Scandinavian corporate finance group. You'll have a minimum of one to two years international banking experience, be a confident self-starter possessing excellent execution and transaction skills and be able to contribute fully from day one. Although not essential, experience gained within financial institutions, paper and packaging, chemicals and pharmaceuticals would be advantageous. This is an outstanding opportunity to advance your career with a highly talented team.

Tel: 0171 583 0180 Fax: 0171 583 7800
1 HARE PLACE, 47 FLEET STREET, EC4Y 1BJ
e-mail: elafleet@dial.pipex.com

COMPLIANCE AND CONTROL PROFESSIONAL

UNITED KINGDOM/CHANNEL ISLANDS

Please send your full CV to Joanne Noble, Human Resources Officer, The Citibank Private Bank, 41 Berkeley Square, London W1X 6NA or by fax to 0171 629 1927.

Citibank is one of the world's largest financial services organisations. We are the only truly global bank, with private and corporate banking operations in 98 countries. The bank has a strong capital base and an unrivalled international network.

This high profile position within the Citibank Private Bank is critical to the future success of our business in the UK and Channel Islands. You will be responsible for implementing the Compliance and Control agenda and acting as the focal point for two of the largest Investment centres in Europe. The incumbent will also form part of a team of professionals who manage this function across Europe, Middle East and Africa.

You will help to create and implement risk and control processes, help orchestrate C&C reviews and facilitate corrective action and trial management awareness processes. Additionally, you will help put in place a broad self-testing process, organise C&C related training, prepare and/or facilitate legal and regulatory matrices and assist the Investment Centre Head in relationships with all regulators. You will also review and approve new product programmes launched from the UK and look after a variety of other C&C related activities.

A graduate or qualified accountant or lawyer, you should have excellent C&C and/or audit experience gained in a large, sophisticated international business and a good knowledge of banking, securities and financial services. You must be a strong team player, analytical, disciplined and able to communicate with and influence others. A second European language would be preferred.

An excellent package reflects the importance of this role to the Citibank Private Bank.

CITIBANK

We are an equal opportunities employer

Assistant Manager – Investor Relations

Mannesmann is a global company with sales of about DM 35 billion and 120,000 employees in more than 190 countries. The Mannesmann Group, headquartered in Düsseldorf, is active in Engineering, Automotive, Telecommunications and Tubes & Trading. The shares of our Group are spread worldwide and we aim to ensure open and comprehensive communications about our Company with capital markets around the world.

Your tasks will include regular contact with international portfolio managers and financial analysts. In addition, you will be preparing, organizing and giving company presentations to institutional investors at the world's leading financial centers. You will work closely with Corporate Accounting and Finance and have direct contact with the Chief Financial Officer.

You should have obtained a very good university degree in business, preferably with majors in Finance and/or Accounting. Some professional experience in the international financial world would be of advantage.

You should be fluent in English and German; good command of another language is desirable.

If you enjoy contacts with people, are highly motivated, and consider the perspectives offered by a global Group as a challenge for your future career, please send your complete application to:

Mannesmann Aktiengesellschaft
Direktionsabteilung – VDE
c/o Frau Stadie
Mannesmannufer 2
40213 Düsseldorf/Germany

We look forward to hearing from you.

mannesmann

Communicate

vb. to exchange (thoughts) or make known (information or feelings) by speech, writing or other means.

Investment Communications Executive

German Markets

As the world's largest independent investment management organisation with managed funds in excess of $520 billion, Fidelity appreciates the value of timely, accurate market information.

Our Investment Communications team is responsible for the effective flow of information between investment specialists and their customers and is currently looking for an experienced analyst or investment journalist to join us as an Investment Communications Executive, primarily to support the German marketing team. Liaising closely with fund managers, you will provide up to date market and sales information, ensuring that all relevant parties are kept fully briefed on the economic and stock market environments.

This is highly specialised role demanding a degree or equivalent in an economist or business related discipline together with fluent German and English. A team player with first class interpersonal skills and outstanding writing abilities in both languages which should be supported by experience of the equity and bond markets. Exposure to a broking or asset management environment, ideally including knowledge of Micropal, Datastream or Bloomberg, would be particularly advantageous.

The unusual combination of attributes we seek will be reflected in the attractive remuneration package and career development opportunities on offer. This role, although based in the UK will involve some overseas travel.

If you have these skills and more, please write enclosing a full CV and indicating salary details, to Chris Woodman, Fidelity Investments, Oakhill House, 130 Tonbridge Road, Hildenborough, Kent, TN11 9DZ. Fax: 01732 832792.

Fidelity Investments™

HR
HAMILTON RENATA
SEARCH AND SELECTION

EQUITY DERIVATIVES SALES

GLOBAL INVESTMENT BANK

Excellent Package **City**

The Company

- Our client is a leading global investment bank with headquarter's in London and an office network in over twenty countries.

The Position

- A junior equity derivatives salesperson is required to join a growing team marketing warrants, convertibles, OTC and structured products into a global hedge fund client base.

Qualifications

- Candidates will have a strong academic background with a maths or engineering based degree.
- One to two years experience marketing equity derivative products into a UK/European/Global client base.
- A thorough knowledge of the products is essential, and pricing and modelling ability is preferred. Experience in marketing to hedge funds would be beneficial, ideally with an established client base.

Interested candidates should telephone or write to Mark Jones or Jonathan Duckfield at:—
Hamilton Renata, Suite 414, Coppergate House, 16 Brune Street, London E1 7NJ
Telephone 0171 721 7890 Fax: 0171 721 7952

Marketing/Client Services Associate

Global Funds Group

Frank Russell Company is one of the world's largest and most influential investment consultants. The London Investment Management Group of Frank Russell offers eleven multi-manager funds and has accumulated US$1 billion of assets under management since its launch in 1994. Our clients range from local authority pension funds to large corporate institutions.

The Position

The successful candidate will join the Russell Investment Management Group as a Marketing/Client Services Associate. Key tasks include client servicing responsibility for institutional clients, participating in manager reviews, monitoring client investments, responding to client-initiated requests, assisting in the development of overall marketing strategies/materials, participating in the development of new products, and representing the Company at client conferences.

Requirements

We seek a highly motivated professional and flexible team player, ideally with a knowledge of the UK institutional investment management industry, and familiarity with IMRO, SIB and UCITS regulations. You will have:

- proven analytical and client-service skills.
- excellent communication skills, both written and oral.
- strong educational background, preferably to graduate level, with specialisation in Finance/Economics/Investment or Business.
- three to five years of financial services industry experience.
- excellent general computer skills with advanced knowledge of Word, Excel and Powerpoint.

In complete confidence, please write with CV to: Funds Department, Frank Russell Company Ltd, 6 Co[illegible], London W1X [illegible]

Russell

FRENCH VENTURE CAPITALIST

13 years investment experience.
42, MS & Wharton MBA.
6 years spent in Anglo-Saxon environments, just returned to Paris.
Offers assistance in setting up/developing/restructuring VC operations on the continent.
Paris based, can relocate.
Phone: 33 6 11 43 16 00

FINANCIAL ANALYST LAWYER

Substantial E.Euro/CIS experience and business relations, LSE+Sorbonne Grad, tri lingual, highly entrepreneurial, extensive financial publication record, seeks cap market/IBK position

Tel (44) 181-742-0071 or 106160.1453@compuserve.com

Courtier IRS

Excellente rémunération + bonus

Notre client est un courtier londonien, leader sur les marchés de SWAPS (IRS) et d'OPTIONS de taux d'intérêt.

Le dévelopment de l'activité et la part de marché croissante de cette société offrent l'opportunité unique, à un courtier spécialiste des marchés de swaps de taux, de rejoindre une équipe dynamique qui a établi sa réputation sur le marché du Franc Francais.

Le candidat, diplomé, de langue francaise et possédant une bonne maitrise de l'anglais, aura acquis une expérience de 2-3 ans sur le marché des IRS FRF en France. La volonté de travailler au sein d'une équipe internationale ainsi qu'une connaissance détaillée du marché des swaps en Franc Francais et de ses participants (autant domestiques qu'internationaux) sont essentiels. Des contacts dans les banques françaises représentent un atout majeur.

For a confidential discussion please contact David Reynolds.
Telephone: 0171 236 2400, Fax: 0171 236 0316 or apply in writing to:
Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
Consultants in Search and Selection

SENIOR INTERNATIONAL ECONOMIST

The Bank of England would like to hear from experienced international macroeconomists interested in adding to our research capability and policy making. The post involves contributing to the Bank's international macroeconomic research and assessment of the G7 and other EU economies, including EMU-related work.

Applicants should have at least a post-graduate degree in economics and preferably a PhD in international macroeconomics (or closely related subject), plus relevant work experience, in a research or policy-making environment.

The post requires a combination of first class research skills, and an ability and willingness to apply these to policy-related issues, and current macroeconomic assessment. Excellent communications skills and the ability to work well in a team environment are also needed. Selection interviews will be held in London.

As well as the specific job described above, there are likely to be other vacancies in the near future for economists who can apply their professional skills to the wide range of research and policy issues confronting central banks. We will be running a PhD selection centre from 9-13 June 1997. If you would like to be considered either for the specific job described above or the PhD Centre, please apply in writing to Mr Tim Kidd, MS Staff Development Unit (BB-3), Bank of England, Threadneedle Street, London EC2R 8AH.

The Bank of England is an Equal Opportunities employer.

Cash Auction Privatization Specialists:

Ulaanbaatar, Mongolia

Development Alternatives, Inc. (DAI) is a leading international development consulting firm. We are seeking individuals to work in Mongolia for 3 month period during Summer 1997 to help the State Property Agency implement the first round of a sealed bid cash auction program in which 15-20 SOE's will be privatized. Tasks undertaken will include the dissemination of information regarding the enterprises, the preparation of the auction, the receipt of bids and their opening, and oversight of the sales transaction. Individuals must be available to spend 3 months in Mongolia in the timeframe June-Sept. and have extensive experience in organizing and managing cash auctions in transitional economies.

To apply, send curriculum vitae to:
LeAnn Hager
Development Alternatives, Inc.
7250 Woodmont Avenue, Suite 200
Bethesda, MD 20814 USA
fax: 301-718-7968
email: leann_hager@dai.com

DAI

SEAFOOD MARKETING DIRECTOR

International Trade & Marketing company is seeking a proven professional to market fresh and frozen seafood products from a seafood processing plant in Gambia, West Africa. Candidate should possess expertise and knowledge of the seafood industry - production, processing, specifications, pricing. Must be willing to travel periodically to West Africa.

Qualified Applicants should send resume to the attention of:
Ms. Vickie A. Hann
Fax: 301-459-6912 or 301-577-2510
Email: 75143,1124@Compuserve.com
Mail: ITA, Inc., 9470 Annapolis Rd., Suite 209
Lanham, MD 20706 U.S.A

Our bank is part of a large industrial group and operates in an international context. We are currently looking to fill a:

Back-office position

M/F Paris

You will participate in the whole range of control and validation operations, in carrying out payments and following up of transaction maturities in French Francs and other currencies in the market.

You will be in contact with the group's subsidiaries and with banks. Thanks to your in-depth knowledge of financial products and their treatment, you will be able to respond efficiently to the demands placed upon you.

You are a graduate in banking and finance with a 2/3 years professional experience which has brought you a solid knowledge of international financial products (Options, Swap, FRA, Forex...).

You are independant, thorough and computer literate.

Preferably a native English speaker, you master equally French and English (written and spoken).

You are flexible and prepared to put in the hours to complete the job.

Please send your application to EURO RSCG Futurs - 2 rue Marengo 75001 Paris - France (Please mark the envelope; "Reference 111750").

GENERAL MANAGER - BANK

Based in the United Arab Emirates, with an attractive negotiable package

A well-established bank in the United Arab Emirates with domestic and international interests and retail banking are seeking to appoint a General Manager. The ideal candidate should be a customer-oriented individual with several years of lending and risk evaluation experience in a multinational bank; will be responsible for the planning, co-ordination and monitoring of the operation of every department in the bank, and will be instrumental in producing and implementing marketing strategies within the region.

The individual must have an inherent ability to adapt to the challenges of a fast-paced economy, provide leadership, be creative and possess the necessary commercial acumen to develop and nurture long-lasting business relationships. Innovation in decision making and envisioning growth will form an integral part of his job description.

A sound knowledge of English is essential for this position and working knowledge of Arabic and familiarity with Islamic banking would be a distinct advantage. Previous experience in Gulf markets would be considered an asset.

The package includes annual airfare home for the family, medical, furnished accommodation, company maintained car, etc.
All applications will be treated in strict confidence.
Apply at the earliest to

Box A5449, Financial Times,
One Southwark Bridge, London SE1 9HL

ATTRACTIVE PACKAGE — MIC — ST PETERSBURG

CHIEF FINANCIAL OFFICER

OUTSTANDING OPPORTUNITY FOR AMBITIOUS PROFESSIONAL OFFERING EXCELLENT CAREER PROSPECTS IN A WORLDWIDE GROUP

Millicom International Cellular S.A. (MIC) is a leading operator of cellular telephone services worldwide. Through joint ventures MIC currently holds 30 licenses to operate cellular networks in 21 countries with a combined population of 415 million people. In addition, MIC is pursuing new licenses in a number of countries. The majority of MIC's operations are in emerging markets. The company is experiencing very significant growth, with its subscriber base currently growing at 100% per annum. MIC is publicly listed, with its shares traded on the NASDAP National Market in the United States and The Luxembourg Stock Exchange, and has a market capitalisation of approximately USD $2,500,000,000.

THE POSITION

- As the joint venture's number 2 executive, assist the General Manager in day-to-day management.
- Supervise all accounting, financial control and financial reporting to headquarters.
- Manage both long and short term treasury activities.
- Responsible for billing and collecting.
- Liaise with local partner, external professional services and governmental entities.

THE QUALIFICATIONS

- Experience in a similar role in a fast-moving commercial environment.
- Experience in Russia or Eastern Europe is a distinct advantage.
- Age 30-45. Proven track record in leading teams.
- Excellent communication and negotiation skills. Dynamic, entrepreneurial personality with a good sense of diplomacy.

Please send full CV in strict confidence to:

Human Resources Director
Millicom International Cellular S.A. - 75, Route de Longwy - L-8080 Bertrange - LUXEMBOURG

Senior Lead Adviser

Automotive Group

A Career Making Opportunity For A Creative Dealmaker

Birmingham – Package to attract the best including relocation

Ernst & Young is an influential and innovative player in the international Corporate Finance market. As part of its global strategy it has established a dynamic Automotive Group to service an increasingly sophisticated international market. This offers unrivalled potential for an ambitious dealmaker with an interest in the automotive sector to play a key part in the growth of the business.

This is a newly created, high profile role and will involve:

- *Working closely with the national head of the Automotive group to shape and drive forward an aggressive marketing strategy and to develop, lead and inspire a team of the highest calibre.*
- *Influencing the speed and impact of the significant changes affecting the UK automotive sector by initiating and managing a range of stimulating M&A assignments.*

This is a creative, challenging and demanding position.
It requires a dynamic, energetic professional with extensive experience of deal initiation, planning and execution together with proven business development and excellent client management skills.

Interested candidates should contact our advising consultant Stephen Stringer at Harrison Willis, Grosvenor House, Bennetts Hill, Birmingham B2 5RS, United Kingdom. Tel: 0121 633 0010. Fax: 0121 633 0862. E-mail: hwgroup@hwgroup.co.uk http://www.hwgroup.co.uk/hwgroup

ERNST & YOUNG

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

---

Senior EMS and Investment Grade Currencies Trader, Foreign Exchange

Global Investment Bank

£Excellent — **City**

THE COMPANY

- Prestigious, innovative banking group. Success story within investment banking.
- Headquartered in London with office network in over 20 countries.

THE POSITION

- Assist running of EMS business and development of investment grade currencies desk of a profitable and successful Foreign Exchange business.
- Maintain strong presence in EMS currencies. Assist development of expertise in tradeable investment grade currencies. Help manage overall FX trading business.

QUALIFICATIONS

- Minimum 10 years' market experience. Must have exposure to EMS and investment grade currencies. Previous experience of managing proactive SPOT FX desk desirable.
- Knowledge of wide variety of products and their effect on EMS and investment grade currencies. Proven P&L track record. Familiarity with derivatives products essential.
- Experience of working in multiple locations, both head office and regional offices preferred. Expertise in Italian instruments vital.
- Demonstrable leadership qualities. Foreign language ability vital.

Please send full cv, stating salary, ref FS705A2, to NBS, 10 Arthur Street, London EC4R 9AY
Fax 0171 623 1525 Tel 0171 623 1520

Aberdeen • Birmingham • Bristol • City • Edinburgh • Glasgow — Leeds • London • Manchester • Slough • Madrid • Paris

NB Selection – Financial Services — NBS — Selection and Search

A BNB Resources plc company — ISO 9002 Registered

Institutional Sales & Marketing - Europe

London Based — Fluent German Speaker

Our client is a leading City based investment manager with a full range of Institutional products and particular strength in the areas of bond and currency management. Excellent performance in Bonds and Equities, together with a focused campaign with the major consultants has resulted in a strong flow of new business and good prospects for future growth. This in turn has led to a requirement for an additional sales person to secure and manage client relationships in Switzerland, Austria, Germany and Scandinavia.

Reporting to the Marketing and Sales Director your role will be to represent the Group's products and services to major European institutions, develop relationships and secure mandates.

The successful appointee will be a graduate, aged 28 - 35, fluent in German with a background in Equity and Bond Markets, gained in a sales, marketing or fund management capacity.

The remuneration package includes an attractive basic salary, bonus and range of benefits. To apply please send full C.V. including salary details, quoting reference 1286, to Fiona Law at FLA Limited, 211 Piccadilly, London W1V 9LD. Telephone: 0171 738 9732. Fax: 0171 895 1353.

FLA — SEARCH, SELECTION AND CONSULTANCY SERVICES

Ann Williams & Co
Search & Selection

We urgently require, for Global Locations

MARKET RISK MANAGERS

- with 2-5 years experience in Banking (Development/Trader Support) Must be educated to the PHD Level in one of the Physical Sciences.

If you would like to leverage your career - call or write - you will be treated with the utmost confidence.

FT FINANCIAL TIMES — Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to target the French business world.
For information on rates and further details please telephone:
Toby Finden-Crofts on +44 171 873 4027

FINANCIAL TRAINING

We are a London-based company providing top quality, innovative training for leading financial institutions globally. We are seeking a full-time trainer dedicated to delivering a consistently excellent service to our clients.

Candidates must be numerate, with a sound academic background and practical experience of either Capital Markets, Derivatives or Risk Management. First rate communications skills, oral and written, are essential. Candidates must be team players, with a high degree of flexibility, motivation and good interpersonal skills. They must also be able to travel frequently. Computer literacy is vital as the candidate will work with our new multi-market simulator and our risk management system.

CV's, including details of qualifications, experience and personal goals and objectives, should be sent to:

Box A5450, Financial Times,
One Southwark Bridge,
London SE1 9HL

ACCOUNTANCY APPOINTMENTS

FINANCIAL DIRECTOR

Market Leader

London/ Manchester

Package c.£87,500, car, benefits

Belonging to a major multinational organisation, this very substantial *£multi-million* Company provides a range of services to major organisations throughout the country. The recognised industry leader, it has a solid record of profit growth, underpinned by a tightly controlled and fast moving multi-site operational network, with well defined performance *standards*, managed by a high calibre team. Reporting to the Managing Director, responsibilities will include:

- Management of all financial, administration and systems activities
- Evaluation of strategic and developmental initiatives
- Leadership and development of the financial *management* team
- Participation in the strategic direction of the business

Qualified accountants, with a strong academic background, candidates should have an outstanding record of finance, systems and administration management within a business of substantial proportions. Particular importance is attached to excellent interpersonal and managerial skills within a team *oriented environment, and career development potential* within an international framework.

Interested candidates should write with full CV, quoting current rewards package to Andrew Satterly, Hoggett Bowers, 85–89 Colmore Row, Birmingham B3 2BB. Tel: 0121 212 0088, Fax: 0121 236 9351, quoting ref: BAS/11131/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION

INVESTOR IN PEOPLE

THE PSD GROUP

Finance Director

Entrepreneurial accountant/MBA sought for new international venture

London / South East — Excellent Salary + Bonus + Car

Our client is a recently established division within a market leading, multi-billion pound services company with a global network of operations. This new and innovative business anticipates rapid growth through a *series of joint venture partnerships and acquisitions.* An experienced and enterprising business professional is now sought to establish and lead a commercially oriented finance function.

Reporting to the Executive Vice President of the division, the Finance Director will be based in Central London with regular travel to a regional operations centre. Key responsibilities will be as follows:

- *drive business development, acquisition* and strategic alliance activity, managing complex negotiations;
- establish and direct a robust finance infrastructure to support this rapidly growing business;
- *contribute to the overall development* of the business as a senior member of the management team.

Probably aged between thirty and forty-five, candidates will be qualified accountants or MBAs with a proven track record in finance, combining the ongoing management of a professional and service oriented finance department *with broader business development* activities. Personal attributes will include first class interpersonal skills, a highly commercial and self-motivated approach and a strong team orientation. A degree of mobility is required as regular overseas travel *is anticipated.*

This appointment represents an outstanding opportunity to shape the development of this exciting business, *working with a dynamic group of individuals.* The remuneration package will reflect the importance of the role and should not be a limiting factor.

Please send a full CV in confidence to GKRS at the address below, **quoting reference *number 707J on both letter and* envelope, and including details of** current remuneration.

GKRS

SEARCH & SELECTION
86 JERMYN STREET, LONDON SW1Y 6JD. TEL: 0171 468 3800
A GKR Group Company

Berrymans Lace Mawer

Financial Controller

City of London **Highly competitive salary + benefits**

Following the merger on 1st May 1997, Berrymans and Lace Mawer have created a unique national insurance litigation and commercial firm with one of the largest Defendant Personal Injury insurance practices in the UK. Building on their existing reputation in litigation, the new firm will have over 80 partners and 250 fee earners. The firm has further expansion plans within the UK and has associated firms in Europe, the Gulf States and Far East.

This newly created role will co-ordinate the requirements of partners in the London, Southampton, Birmingham and Dubai offices. It is a high profile, commercially orientated appointment that will focus on the following areas within the firm's southern offices:

- Supervision of nine finance staff, control of financial performance and liaison with external professional advisers and other third parties.
- Improving fee earner understanding of finance related business issues including increased accountability and analysis of departmental performance.
- Maintenance and development of forecasting procedures and management information, project evaluation and "what if" analysis.
- Development of reporting procedures and controls including integrated IT solutions within the finance, billings and financial administration areas.

The formal and informal reporting requirements at partner level demand the ability to build rapport, *establish credibility quickly and offer solutions not* objections, coupled with the maturity to deal confidently but diplomatically at all levels within the firm. Priority will be given to candidates with a demonstrable record of success in adding value to the commercial decision making process.

It is therefore likely the successful candidate will offer the combination of strong academics, a formal finance qualification and be aged between 30-45. Practical experience may have been gained in the legal field, a major accountancy practice or in any quality focused service environment.

Interested applicants should apply in writing to Guy Stacey at Michael Page Finance, Page House, 39-41 Parker Street, London WC2 5LN.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Group Management Accountant

Finance Director in the making...

Wiltshire **£ Above market rate + Benefits + Relocation**

Formed in 1971, Allied Dunbar has been the fastest growing life company in the UK over the last twenty years and is now the largest unit linked life assurance group in the UK. A major subsidiary of BAT industries, pre tax profits in 1996 were £203 million with funds under management of over £18 billion.

ALLIED DUNBAR

The finance function is central to the commercial performance of the business and is committed to the development, retention and career progression of high calibre individuals.

As a member of the Management Accounting team, your brief will be to develop and provide strategies *for the successful and effective management of the* company. You will manage the expense base currently in excess of £250 million and, with support staff, play a key role in formulating the group financial forecast and operating plan. Financial input will be required on ad-hoc project work, for example, acquisitions.

You will be a graduate qualified accountant with a minimum of three years PQE and an achievement led profile. There will be considerable exposure to director level, therefore, you will need to demonstrate first class communication skills and a persuasive personality, coupled with an ability to influence and a positive 'can do' attitude.

A high degree of commercial acumen and an ability to think 'out of the box' providing imaginative solutions to problems is key. If you have the drive and determination to succeed, then in return Allied Dunbar will offer an excellent remuneration package together with the potential to progress to director level.

Interested candidates should apply in writing enclosing a CV, covering letter and daytime telephone number to Kathryn Roberts, Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL, quoting ref TLTO.

Allied Dunbar are committed to equal opportunities, and welcome applications from all sections of the community.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

PIRTEK.
hoses & assemblies

Financial/Business Controller

West London **c £40,000 + Car**

Last Tuesday, the BFA named Pirtek (UK) Plc winner of the Franchise of the Year 1997 Award. This is a fitting testament to the success and dynamic growth of a company fuelled by sound commercial and innovative business planning in a UK market approaching £500 million. An expanding national network is breaking through the industry's frontiers, *principally in the supply of vital equipment to a* diverse range of major businesses.

Unprecedented achievements to date and impressive future plans have created the need for a commercially aware Finance/Business Manager to fulfil a high profile role within the UK Head Office. Supporting the Managing Director, the main emphasis of this key role will be to provide commercial decision making, analysis and negotiation skills in support of the UK businesses. Overall control of finance and information technology will also come under your jurisdiction, although an experienced team take day-to-day responsibility.

Applications are invited from qualified accountants, aged in their late 20s to mid 30s, who can demonstrate practical experience and the resulting business acumen from working at a senior level, possibly in an entrepreneurial environment. The ability to provide solutions and add value to a growing business combined with a 'hands-on' approach, a proactive personal style and first class communication skills are all pre-requisites.

Interested candidates should apply in writing, enclosing a current CV, to Justin Pearson at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax on 0171 242 1020 quoting reference J350575.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Group Controller

Wiltshire **c £38,000 + F/X Car + Relocation**

Our client, a privately owned FMCG Group, turning over c£200 million with manufacturing sites covering the South West and London, has created a new position reporting directly to the Group Finance Director. With significant re-focusing at Group level (including the appointment of a new Chief Executive) the business now sees the need for a proactive, logical candidate to 'add value' to the bottom line consistently. This critical appointment will involve building quickly close relationships with profit focused business management teams and Group Senior Management.

The *role* will focus on *reviewing group information* requirements, looking at the needs from *production through to the front line sales team.*

You will need to clearly prioritise, review and understand MIS capabilities, ascertain key business needs and work closely with IT and the Group Finance Director. Involvement initially will include monthly reporting and if wanted, statutory reporting. Due to the nature of the role, career development will progress through a more senior finance appointment or into general management.

You will be a qualified accountant with 2-4 years PQE, *currently working to give business* solutions to manufacturing sites, clearly goal *driven and focused on creating more opportunity* to adding value to each management team. In a 'work hard play hard' environment the Group will offer initial rewards blended with long term *career progression.*

Interested candidates should write to Gareth Davage enclosing a full curriculum vitae and daytime telephone number to Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL, quoting ref HHDW.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Financial Controller

UK Sales

Berkshire **c £40,000 + Bonus + Car**

Our client is an £800 million subsidiary of one of the world's largest Information Technology companies *operating in telecommunications, semi-conductors and* other electronic devices. It is a truly European company with a wealth of experience in the design, manufacture and marketing of personal computers and server systems along with the software to support them. With 2000 employees and working through a network of strong local operations, the business is well placed to realise its ambition of a European brand leader in PC's, Notebooks and Servers.

In order to strengthen their financial and commercial expertise, the company now seeks an ambitious qualified *accountant to join the senior management* team within the UK Sales Division. Reporting directly to the General Manager, responsibilities will include:

- Comprehensive profit and loss management.
- Full financial support to the business on all commercial and pricing issues.
- *Developing systems to provide management* information and performance measurement.
- Customer liaison on trading terms and credit control.
- Management and development of a seven strong team.

Likely candidates will be graduate calibre qualified accountants with a successful track record in a sales environment. You will have held a No.1 finance position reporting directly to a General Manager with full bottom line responsibility. Having strong commercial experience in pricing decisions and trading terms, you must be able to demonstrate leadership skills, energy and the ability to operate effectively in a fast changing, results orientated organisation.

Interested applicants should forward a comprehensive CV, including details of current salary and daytime *telephone number, quoting reference 335150 to* Anthony Spratt ACMA, Michael Page Finance, 33 Blagrave Street, Reading, Berkshire RG1 1PW.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

National
Australia Group UK

Project Consultant

Glasgow **c £50,000**

National Australia Group is the *holding* company for National Australia Bank, an international financial services group operating regional franchises in five countries and a network of branches and representative offices throughout Asia.

In the past decade, the National has sought to increase *shareholder* wealth by diversifying its income streams and by following a clearly defined strategy of focused *acquisitions and controlled organic growth.*

Today, National Australia Bank comprises one of the largest and most successful financial service groups in the world.

Reporting directly to the project manager and interfacing with senior management, you will be responsible for providing a financial accounting service to a major re-engineering programme, ensuring that all programme reporting complies with the group project management methodology and group finance requirements. Responsibilities will include generation of all financial plans and replans across the year both for *Europe and returns for Group* in Melbourne, budget definitions and tracking of project costs and benefits generated from the business cases and input to all project reporting for European and Group Steering Group packs.

The successful candidate will possess good 'hands-on' change management experience coupled with the ability to make a valuable contribution to the successful execution of a major project. They will be an assertive individual whose excellent interpersonal skills complement a sound technical knowledge.

Interested applicants should forward a comprehensive curriculum vitae, including salary details quoting reference number 313149 to David Brodlie or Jason Saunders at Michael Page Finance, 150 West George Street, Glasgow G2 2HG or fax 0141 331 1426.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

FINANCE DIRECTOR

A Growth-Orientated Divisional Role

Thames Valley **to £65,000 + Benefits**
Considerable Bonus Potential

Our client is a leading quoted international contracting group. Following a recent reorganisation, there is a requirement to recruit a Finance Director for their largest and most diverse division.

THE POSITION

- Executive responsibility for the Division's UK and international financial management and control.
- *Provision of first* class commercial and strategic direction and key input into the Division's acquisitions and organic growth.
- Interaction with Operational Board Directors to ensure that performance measures are understood and achieved.
- Key involvement in identifying innovative financing structures to match customer requirements.

QUALIFICATIONS

- Graduate qualified accountant, aged early 30s to early 40s, with broad commercial and line management experience.
- Proactive and energetic style, capable of communicating effectively with all levels of an organisation.
- Experience of a multi-site group environment, with an international outlook and motivated by business development/M&A.

If you are interested in this exceptional opportunity, please write enclosing full career and current salary details to the advising consultant, Jon Boyle at *Questor* International Limited, 3 Burlington Gardens, London W1X 1LE, quoting reference 2239. Tel 0171 292 8300. Fax 0171 287 5457. E-mail: Jon@questorint.com

QI
QUESTOR INTERNATIONAL

FINANCE CONTROLLER – EUROPE

Prestigious High Growth International Retailer

London **Excellent Package**

Our client is an international retailer with an outstanding record of high growth across its leading high street trading names. The business is on course to achieve its ambitious growth targets of over one hundred retail outlets across its European operations, through maximising opportunities in its existing markets and opening outlets in additional countries. There is now a requirement for a Finance Controller – Europe to be responsible for the centralised finance function.

THE POSITION

- Reporting to the Finance Director – Europe, manage and develop the financial accounting and reporting function to assist the country operations as the business continues to grow.
- Ensure the financial and management information systems meet the current needs of the business and its future requirements.
- Work with the Finance Director to establish a consistent financial services strategy to support the European sites that promotes rapid decision-making throughout the organisation.

QUALIFICATIONS

- *Qualified* accountant aged in your early to mid 30's. Post qualification experience gained in leading multi-national consumer businesses.
- Pan-European experience a prerequisite. Exposure to a centralised finance function would be an advantage.
- Proven man management skills and team building approach combined with the drive, energy and commitment to achieve results.
- Self-starter, pro-active visionary with entrepreneurial flair.

Interested candidates should write, enclosing full career and current salary details to the advising consultant, Sharon Glenaway, quoting reference 2225 at Questor International, 3 Burlington Gardens, London W1X 1LE. Tel: 0171 292 8300. Fax: 0171 287 5457. Email: sharon@questorint.com

QI
QUESTOR INTERNATIONAL

UNIT FINANCIAL CONTROLLER

c£60,000 + CAR + GENEROUS BENEFITS
CENTRAL LONDON

Our client is a household name and one of Britain's foremost public groups. It has a proud record of growth and success over many years and is now reinforcing its dominant position in the retail financial services sector by implementing a carefully planned strategy of change, diversification and acquisitive expansion.

This is a high-profile, commercially-orientated appointment arising out of a recent restructuring. Reporting to the UK Financial Controller and managing a sizeable team, the successful candidate will work closely with the Director of a substantial business unit (budget c£50m) and will provide him with full commercial and financial support. This will entail overseeing the timely production of the full range of financial and management information, analysing business performance, and delivering sophisticated reports and advice to underpin the decision-making process and help drive the unit forward.

Candidates should be high calibre, graduate Chartered Accountants with about 10 years PQE. We are looking for someone with business flair, an analytical mind, board level credibility and strong leadership skills. Candidates should have had several years' financial management experience within a large corporate environment, and should have the ambition and potential to take on increasing responsibilities over the next few years.

Please reply in confidence, enclosing your CV and current salary details to Paul Carvosso at Howgate Sable & Partners, 35 Curzon Street, London W1Y 7AE, quoting ref: FT484P.

Visit our web site at http://www.topjobs.co.uk/howgate

Howgate Sable
& PARTNERS
EXECUTIVE SEARCH AND SELECTION

London • Manchester • Leeds • Newcastle

CableTel

Finance Manager

Telecommunications

Excellent Package **Luton**

CableTel, part of the NTL group, is the third largest cable television and telephone company in Britain. It is at the forefront of technology and the working environment is youthful, fast-growing, meritocratic and team-spirited. This is a number one Divisional Finance position as a member of the senior management team driving business performance.

THE POSITION

- Report to Divisional MD and group Finance Director. Full accountability for finance function.
- Role includes financial and management accounting, monitoring of extensive capital expenditure programme, cash flow management, budgeting and forecasting. Significant development of systems and procedures.
- Lead and motivate team. Represent finance function on management team. Make full contribution to overall business performance.

QUALIFICATIONS

- Qualified accountant with 4 years' PQE, at least 3 in industry/commercial environment. Excellent track record in fast-paced, changing business.
- Commercially astute. Energy to support growing business.
- Strong motivational and interpersonal skills. Proven management experience. Open, supportive and enthusiastic management style. Excellent communicator.

Please send full cv, stating salary, ref LD70502, to NBS, Yorkshire House, Greek Street, Leeds LS1 5SX
Fax 0113 243 2339 Tel 0113 245 3830

Aberdeen • Birmingham • Bristol • City • Edinburgh • Glasgow — Leeds • London • Manchester • Slough • Madrid • Paris

NB Selection — NBS — Selection and Search

A BNB Resources plc company — ISO 9002 Registered

National Australia Group UK

Project Consultant

Glasgow **c £50,000**

National Australia Group is the holding company for National Australia Bank, an international financial services group operating regional franchises in five countries and a network of branches and representative offices throughout Asia.

In the past decade, the National has sought to increase shareholder wealth by diversifying its income streams and by following a clearly defined strategy of focused acquisitions and controlled organic growth.

Today, National Australia Bank comprises one of the largest and most successful financial service groups in the world.

Reporting directly to the project manager and interfacing with senior management, you will be responsible for providing a financial accounting service to a major re-engineering programme, ensuring that all programme reporting complies with the group project management methodology and group finance requirements. Responsibilities will include generation of all financial plans and replans across the year both for Europe and returns for Group in Melbourne, budget definitions and tracking of project costs and benefits generated from the business cases and input to all project reporting for European and Group Steering Group packs.

The successful candidate will possess good 'hands-on' change management experience coupled with the ability to make a valuable contribution to the successful execution of a major project. They will be an assertive individual whose excellent interpersonal skills complement a sound technical knowledge.

Interested applicants should forward a comprehensive curriculum vitae, including salary details quoting reference number 313149 to David Brodlie or Jason Saunders at Michael Page Finance, 150 West George Street, Glasgow G2 2HG or fax 0141 331 1426.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

---

Head of Finance

Central Scotland **to £100,000 Package**

One of Scotland's best known companies, our client has several thousand staff across a number of sites with a turnover measured in £10's of million and is highly profitable. They have recently diversified into a number of related service offerings and are determined to achieve significant further growth in their core products whilst continuing a re-engineering programme to reduce the cost base.

Central to this will be the Head of Finance who will manage a large finance team responsible for all financial analysis, planning and production of monthly and annual accounts. Reporting to the Chief Executive and liaising closely with Corporate HQ your main role will be to work with the other divisional heads and through business planning, sophisticated KPI reporting and suggestions on best practice or other aspects such as outsourcing, help them maximise profits.

This is a young energetic and hard working executive team. To fit in you will be extremely bright, determined and innovative. Obviously a qualified accountant, with outstanding achievements in exams or early business career, you must currently use technology to present information of relevance to non accountants and will probably be working in a large scale sophisticated industrial or service organisation.

The remuneration package includes a base salary of around £70,000, non contributory pension, bonus of up to 25%, car or cash allowance and relocation assistance if required.

Please send full career details including salary requirements to Douglas Kinnaird C.A. as advisor to the company at MacDonald Kinnaird.

MacDonald KINNAIRD
HUMAN RESOURCE CONSULTING • BUSINESS DEVELOPMENT TRAINING
RWF House, 5 Renfield Street, Glasgow G2 5EZ.

Outstanding New Business Development – South Africa

Merrill Lynch

Merrill Lynch is a leader in investment banking with an outstanding reputation in the debt, equity and derivative markets. As part of a major strategic initiative in their global operation, Merrill Lynch has acquired 100% ownership of the South African broker, Smith Borkum Hare. Independently renowned as a leading broker for South African equity trading and corporate finance, it is Merrill Lynch's plan to develop existing business and expand into areas such as proprietary and derivative trading.

In order to support the expansion of this operation both within South Africa and as a base for expansion in the sub-Sahara, Merrill Lynch is seeking to hire experienced Heads of Department and Section Heads within Operations, Finance, Technology and Project Management. Successful candidates will be invited to either move directly to South Africa, or alternatively, spend time in the London office prior to relocation.

These will be key hires, as they represent the future of the company and will afford the successful candidates excellent career opportunities.

Key responsibilities will include:
- Developing and implementing new systems to ensure that business growth can be effectively supported.
- Hiring, leading and managing teams during a period of major change.
- Providing high quality control systems.
- Develop a leading-edge technology environment.
- The provision of a secure and regulated environment.

Candidates will be high calibre professionals who excel in their area of expertise. They will not only be resourceful, but resilient and capable of making a contribution at a senior level within an expanding business.

Attributes and experience of interest will be:
- A minimum of three years investment banking experience in Operations, Finance, Technology or Project Management.
- A thorough appreciation of change management issues.
- Strong understanding of control systems and systems implementation.
- Technical expertise encompassing mainframe, open-systems and desk-top technology.
- Excellent communication skills, combined with strength of character, presence and personal credibility to ensure effective liaison with front office management.
- For Finance, an accountancy qualification is required.

These roles offer exciting opportunities to work in a dynamic expanding market within a prestigious organisation. The package will be competitive and comprehensive, reflecting the overseas nature of the appointment.

Interested candidates should contact Anne Tinsley or Rosalind Coffey at Michael Page City on 0171 269 2305. Alternatively, write to them, enclosing a full CV at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax: 0171 405 9649. Please quote ref 346115.

Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

COTY
PARIS • NEW YORK

Finance Director

NLG135,000
+ Car
+ Benefits
(expat tax)

Amsterdam

Coty Inc. is a $1.6bn multinational FMCG organisation with its headquarters in New York. Since 1990 the company has experienced rapid growth, making a series of acquisitions designed to achieve worldwide market leadership. They are now entering a new phase of growth involving further expansion into Eastern Europe, Latin America and Asia, as well as having recently undertaken a major restructuring of their Western European business.

As a result of this growth, our client is now seeking to recruit a young, ambitious Finance Director for their Benelux operations. This region currently has a turnover of NLG135m, and 250+ employees. They enjoy a market leading position, owning several dominating brands both in the 'mass' and 'prestige' cosmetics sectors. Their business is expanding quickly, allowing the senior management team the opportunity to gain valuable experience of shaping a business.

The new Finance Director will be responsible for the following:

- Key business advisor to commercial and operations management
- Managing cross-border finance team (14 staff)
- Co-ordination of financial analysis, planning and forecasting
- Financial reporting and control (US GAAP)
- Ongoing enhancement of business information systems
- Providing pro-active input for international finance development.

The successful candidate will be a graduate, qualified accountant, aged late 20s/early 30s. Further, they will have gained significant international exposure to date, preferably within another FMCG environment. Fluency in English is essential (knowledge of Dutch would be an advantage). Overall, they will have a record of achievement and adaptability with previous employers, and have proven experience of successfully managing a team of people. The package on offer is intended to attract a high calibre, empowered individual. Relocation assistance will also be available.

Interested candidates should send a full CV quoting reference 38920 to Richard Wright at Martin Ward Anderson, 20 Shorts Gardens, Covent Garden, London WC2R 9AU. Tel: 0171 240 2233. Fax: 0171 240 8818. E-mail: info@mwa.co.uk. Initial interviews will be held in London and Amsterdam.

MWA
MARTIN·WARD
·ANDERSON·
LONDON • WINDSOR • ST ALBANS

APPOINTMENTS WANTED

FINANCIAL CONTROLLER/GLOBAL AUDIT MANGER SWITZERLAND

Heavyweight finance professional (CA + FIIA) with many years varied world leaders experience (banking, service & airline industries), Swiss & Brit (46), working German & French. Is used to travelling extensively from his own office in Zurich. Desires a permanent or contract role

Phone 0041 (0) 79 4164661 Anytime

BECHTEL

International Tax Opportunities

Bechtel enjoys an outstanding reputation in providing premier technical and management services to develop, manage, build and operate installations for its customers. With headquarters in San Francisco, Bechtel works in over 70 countries in industries as diverse as petrochemicals, power and civil. In todays competitive environment, development of innovative tax structures to help win work and implement projects at least cost is as critical to the business as the traditional technical disciplines. This combined with greater responsibility given to the Regions has created exciting new opportunities in London for individuals with drive and initiative to develop in-depth international experience in commercial and technically challenging roles.

Senior Tax Advisor

You will have complete responsibility for all tax related matters for a number of countries and will work as an integral part of the international proposal and project teams for these countries.

Reporting to the Regional Tax Manager, the key responsibilities will be:
- Providing innovative tax advice for structuring proposals taking account of non-tax issues.
- Development of country tax strategies.
- Advising and co-ordinating with project management.

The role will involve an element of overseas travel.

The ideal candidate will be ACA or ATII qualified with 3-6 years post qualification experience with a working knowledge of international tax gained in a commercial organisation.

Tax Advisor

Working closely with, and reporting to the Regional Tax Manager, your key responsibilities will be:
- Management of complex compliance work performed by project staff and advisors.
- Tax reporting and liaison with head office tax department.
- Assisting in country tax reviews.
- Assisting the Regional Tax Manager on ad-hoc international project work.

It is expected that the successful candidate will be an accountant or ATII qualified and will have up to 3 years post qualified experience.

Previous knowledge of international tax is an advantage but is not essential.

Both positions will be based in West London and Bechtel offers an attractive remuneration package which includes a competitive base salary and bonus with excellent career development opportunities worldwide.

If you are interested in either of these roles, please contact Donald McFarlane CA on 0171 269 2246 or write to him enclosing a CV to Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN or fax on 0171 831 6662.

MP

Michael Page Taxation

Specialists in Taxation Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

---

Regional Internal Audit Manager Based in Hong Kong

NatWest Markets is the corporate and investment banking arm of NatWest Group, one of the largest and best capitalised banking groups in the world (rated AA by S&P).

Due to the continued success of NatWest Markets' expansion in Asia, we require IT auditing professionals to contribute their experience of delivering value added internal audits.

You should have:
- 5 years' post graduate experience
- Exposure to equities, capital markets or treasury products
- Initiative, drive, leadership, analytical and team skills
- Excellent interpersonal and report writing skills
- Worked in a securities or investment banking firm

Approximately 30% - 40% of your time will be spent travelling throughout the Asia Pacific region. It would be advantageous if you are fluent in an Asian language, such as Cantonese/Mandarin or Japanese.

Competitive salary and benefits will be offered to the right candidates. Please send your detailed CV, including current and expected salary level, your contact telephone number and a recent photograph to:
The Manager, Human Resources, NatWest Tower 46th Floor, Times Square, Causeway Bay, Hong Kong.

NatWest Markets

CHASE

Outstanding Opportunities in Global Equity Derivatives

Chase is a leading US Bank with a global network spanning 52 countries and holds an enviable position in the Investment Banking arena. Our commitment to innovation and progression has resulted in increased trading volumes, improved technology and product diversification. We are now looking for high calibre professionals to join our global cash equity and equity derivatives operations groups in London.

The Equity Derivatives Operations Group based in London provides support for traders in London, New York, Hong Kong and Tokyo. The business is complex and constantly evolving and we view the recruitment of accountants with relevant experience as central to continued expansion. We therefore now need to recruit two experienced finance professionals.

Regulatory Reporting Analyst

This role is crucial to the Group's trading activities and involves the coordination of all weekly reporting in line with CAD guidelines, stress testing of portfolios (including analysis of the risk results for derivatives) and the coordination of SFA daily transaction reporting requirements. A key element of the role will be the analysis and investigation of regulatory issues arising from new product lines and a strong involvement in systems implementation plans.

Ideal candidates will be qualified accountants with a minimum of two years previous regulatory reporting experience and an ability and desire to apply this knowledge in an expanding global equities business.

Financial Accountant

The Financial Accountant has a high profile role in the Group and will supervise a team responsible for the accuracy of the GL and the reconciliation of profit and loss between management and financial records, across the whole equity derivatives business. The Financial Accountant will play an important part in the development of procedures for the booking of new transaction types and implementing changes where necessary. They will be involved in extensive liaison across other product areas within Chase coordinating settlement and valuation accounting and will play an important part in new systems implementation plans providing feedback on development. Ideal candidates will be qualified accountants with at least two years post qualified experience and a good understanding of equity derivatives.

Both roles require well developed logical/analytical and investigative skills and an aptitude for complexity. Candidates should enjoy working as part of a team and be challenged by change.

Interested candidates should send a CV to Sarah Hunt at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, or fax it to her on 0171 405 9649.

MP

Michael Page City

International Recruitment Consultants

London Paris Frankfurt Hong Kong Singapore Sydney

FINANCIAL CONTROLLERS
- UK
- Isle of Man/Guernsey c. £35,000 + benefits

Our client is the holding company of specialist medical equipment suppliers operating in the healthcare industry. In the relatively short period since its establishment, the Group has achieved significant milestones in its development path and is now engaged in the *expansion of its marketing and distribution network covering Europe*, the Americas, and the Far East for its proprietary products manufactured by a major US multinational on an OEM basis. The Group has subsidiaries operating in the UK and offshore.

The Group is entrepreneurial, fast growing and strategically driven, *and has set challenging objectives for its corporate development over* the next 3 years, including flotation of the company. The Group is seeking to recruit two Financial Controllers, one in the UK, and one offshore.

The Roles
- Complete responsibility for the finance department, ensuring timely and accurate reporting of management information to Group FD.
- *Production of weekly flash* reports, monthly management accounts, budgets, cashflow forecasts and statutory accounts.
- *Foreign exchange management.*
- Responsibility for managing and developing the requisite internal control systems for an international distribution *company.*

The Qualifications
- Fast track qualified accountant, at least 5 years post qualification experience preferably within a consumer goods distribution environment.
- Highly computer literate with excellent spreadsheet skills.
- *Well developed management* and communication skills, with strong technical ability that will inspire confidence.

These positions will appeal to commercially astute, action driven, finance professionals, interested in making a meaningful contribution to the growth of a company at a very significant stage of its development.

Please write enclosing full career details and current salary to: Butler & Co. (Ref. FC 5-97) Walmar House, 288 Regent St, London W1R 5HF

REGULATORY CONTROLLER

Constant, influential interaction with business management

LONDON

FULL BANKING BENEFITS

CREDIT SUISSE FIRST BOSTON is a leading global corporate and investment banking firm, providing comprehensive financial advisory, capital raising, sales and trading, and financial products for users and suppliers of capital around the world. It operates in over 50 offices across more than 30 countries and 6 continents, and has over 10,000 employees.

Reporting to the European Head of Regulation, and acting as his deputy, you will be part of a team that fulfils a particularly high profile and proactive *function beyond that normally associated with regulatory reporting.* With a team of 11, you will be responsible for all financial reporting to the SFA and *Bank of England* and to the regulator of the parent company.

Given the level of complex new business development, the liaison between business management and the regulators in structuring deals appropriately will be a critical element of your role. In addition, you will be expected to contribute to the on-going project to reorganise the legal and regulatory structure of the firm's European operations. In the longer term, you will become involved with assessing the impact of the new Value at Risk, Basle proposals and assisting in their ultimate implementation in the *European region.*

Either you will be fulfilling a similar role in a recognised institution but looking for a higher level of business involvement, or you may be a qualified ACA at senior manager level within the profession with significant exposure to capital markets and the associated regulatory issues. Product knowledge, investigative abilities and relationship management skills will all be prerequisites. Full training will be given in Swiss capital regulation.

This position is not an administrative, form filling role. Rather it is an outstanding opportunity to join one of the best known names in the banking world in a creative role that actively influences day to day business. You will be *involved in the latest developments* in the markets whilst also building on your financial and management skills.

To apply in strictest confidence, please write enclosing a CV, quoting ref: 246 to Tim Musgrave at The Bloomsbury Group, 1 Southampton Street, London WC2R 0LR, or alternatively telephone him on 0171 379 1100, Fax 0171 240 6362. *All direct applications will be forwarded to The Bloomsbury Group.*

CREDIT SUISSE | FIRST BOSTON

International Industrial Group

ASSISTANT GROUP CONTROLLER

European Base — **Excellent Package**

This is a truly unique opportunity to join the small head office team of an international industrial group. With sales in excess of \$2 billion, operations throughout the world, and a focus on specialised industrial products and information technology, you will be operating in a challenging and complex international environment. Reporting to the current Group Controller, we are looking for outstanding candidates, capable of taking over this further group responsibility.

THE ROLE

This high profile position within a small dynamic team will expose you to a wide range of business issues. You will be expected to support the group's senior management by:
- Analysing monthly operating reports, identifying key trends, variances and issues, interpreting the financial accounts and making business and control recommendations.
- *Monitoring and analysing competitor moves and performance.*
- Carrying out the financial analysis of major group acquisitions and divestments.
- Liaising with the group's auditors and managing an internal audit and control environment.

THE CANDIDATE

Ideal candidates will be graduate, qualified accountants with several years' experience of auditing and controlling within an industrial group. MBAs with suitable experience will also be considered. You will be fluent in English. Knowledge of German and/or Dutch would be advantageous. You must be able to communicate clearly at all levels within an organisation, and be a self-starter, able to operate in a flexible and complex international environment.

Please write, enclosing your CV to the Group Personnel Manager, Box A5443, Financial Times, One Southwark Bridge, London SE1 9HL, quoting reference P/101/FT.

Rothmans International

Newly Qualified Accountant - Treasury

West of London

£Excellent + Car + Benefits

Rothmans International is one of the world's most successful tobacco companies with a turnover in excess of £3 billion and a wide portfolio of market leading brands. The group is committed to growth on a world wide scale.

Due to a series of internal promotions an opportunity now exists for an ambitious young accountant to join the *UK Treasury* function. This department manages the foreign exchange exposures for all the wholly owned subsidiaries of the Rothmans Group and funding for *UK* owned operations.

Supervising and directing a small team, the Treasury Accountant is responsible for managing relationships with the banks and working in close liaison with dealers and senior managers across the group companies. The jobholder will also be responsible for ensuring all derivatives and other financial instruments are monitored as well as maintaining the integrity of, and actively developing, systems and procedures.

The ideal candidate will be a recently qualified accountant with experience of working within a Corporate Treasury or Banking environment. However qualified accountants with a strong desire to join this highly successful fmcg organisation, who can demonstrate a fast track record of achievement and highly tuned *analytical skills, are also invited to apply.* Rothmans is committed to developing its people and numerous opportunities exist to progress in the UK and abroad.

Interested applicants should write, enclosing a detailed CV stating current salary, to Lucy Bennell at the address below.

Alderwick Peachell

Alderwick Peachell Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA
Tel:0171 404 3155. Fax: 0171 404 0140.

Corporate Recovery & Investigations

...AN OPPORTUNITY TO ACCELERATE YOUR CAREER POTENTIAL

SOUTH EAST REGION — **TO £30K**

This prestigious corporate recovery practice is firmly established as a world leader, with an enviable reputation for handling high profile work. They now seek to appoint a qualified senior to join their dynamic professional team in the UK South East Region.

Although the emphasis will be towards company investigations and business reviews, the role will encompass other aspects of corporate recovery work.

Ideally graduate calibre, you will probably have 2 years p.q.e. in a relevant commercial role in a professional practice, industry or financial services. Key personal qualities must include tenacity, a clear thinking and analytical mind, and the proven ability to present convincingly.

The package includes excellent career prospects through to partnership. To apply, please send - in strictest confidence - CV and current salary details, quoting ref FT14126 to Andrew Harris, Matthews Harris *Consulting, 44/46 Lower Bridgeman Street, Bolton BL2 1DG.* Tel (01204) 389188 Fax (01204) 398189. Interviews will be held locally.

Matthews Harris CONSULTING

This position is being handled exclusively by Matthews Harris Consulting.

IT Appointments

ARTS

The importance of being cultured

Accessibility and education are the priorities of the new arts ministry, reports Antony Thorncroft

The new brooms of new Labour have found their way into what was one of the least significant corridors of power, the department of national heritage: "We will be a very vigorous ministry" says Mark Fisher, the new minister for the arts. "The previous government tended to concentrate on arts funding. Our approach is to look at the cultural industries."

To go with the new image, the name of the department is likely to change, with the ministry of culture and sport the current favourite designation. Its relatively tiny annual budget of £1bn might not expand, nor escape the cost-cutting eagle eye of Gordon Brown's Treasury, but its confidence in the ability of the arts to transform society has never been greater. Tony Blair says culture matters, both economically and spiritually, and Mark Fisher is there to deliver.

His appointment as arts minister has been warmly welcomed by the arts world. He was an assiduous and aimable shadow, and the fact that he was never destined for the top job – Chris Smith is heritage secretary – was regretted by many. But a refined, larger role with a new title has been found for him. He inspires confidence as he sketches out policy in his new office, the walls covered with abstract art by John Hoyland, Bridget Riley, Frank Auerbach and Howard Hodgkin – slightly older contemporaries but, in many cases, friends of the cultivated Fisher.

"There are two over-riding priorities: expanding access – cultural life must be available to more people; and developing the role and importance of the artist. If you have better artists you have better cultural industries".

These are not just pious aspirations. To ensure a wider audience for the arts, theatres, for example, will be encouraged to offer a "pay what you can" night, with the extra cost being met by sponsors. The experience of the magazine Loot in supporting such access at the Tricycle Theatre, Kilburn, has impressed Fisher and suggests that this can be an inexpensive and mutually beneficial initiative.

In opera, Covent Garden will be expected to keep to its aim of cutting seat prices when its new House opens in 1999; Chris Smith said as much in his speech at the Royal Academy of Arts last night.

Museum charges are another hot issue – "the collections have been paid for by the public", says Fisher – and the museums that currently charge will be asked to justify their policy. "The National Gallery and the Tate flourish without charging. There will be pressure on the Victoria & Albert to explain its admission charge." A digital archive of all the great paintings in the UK, available free to schools and libraries, was another idea floated by Smith at the RA.

The big international media companies will be pressurised to give more back to society, to help encourage a young audience, their future customers. Cut-price cinema seats, discounted books for schools, investment in arts education – all will be explored and championed by the ministry.

To bring on a new generation of artists, musicians, writers, broadcasters and film makers the government will re-assess the millions being spent on media and cultural studies courses, which are reckoned to train thousands of students with little hope of work in these areas. The money might be better invested in grants for dance and drama students, and for the practitioners of the arts of the future.

Significantly, no mention is made of lottery funding. Mark Fisher knows that if the proceeds of the Wednesday lottery are creamed off to boost education and health (as the new Lottery Bill proposes), the arts, heritage and the other good causes will have less money to spend, with arts lottery revenue likely to fall from around £285m a year to nearer £235m.

Even Tony Blair's pet NESTA scheme – the National Endowment for Science and the Arts – will not have to wait for the proceeds of the Millennium Lottery Fund to become available. David Puttnam is investigating ways in which artists can allocate their copyright earnings to this great new cause. The lottery as an artistic cure-all is not paramount.

In many ways the government's approach is conservative. The Arts Council, English Heritage, the Museums and Galleries Commission, all the main art institutions are safe. "We will be hands-on in strategy but not in the day-to-day running of arts companies."

Certain sectors where the government is a major customer, such as architecture, will get more attention with the development of guidelines to ensure that future government buildings will have more quality.

In many ways, with its talk of the importance of the arts as an industry, the new government sounds much like the old. But, at the moment, there is a sense of urgency and commitment to the arts, long missing from Whitehall. The belief is that Tony Blair cares, and his concern energises Chris Smith and Mark Fisher.

"In two centuries time it will not be our politicians, or our industries, or our hospitals that future generations remember, but our artists, architects and writers", says Fisher. The arts world is used to hearing inspiring and encouraging words. It now expects the government to make them real.

Amiable: Mark Fisher, the new minister for the arts

Theatre

'Titus' badly mauled

Even by the low standards of Shakespearian performance now widespread in Britain, the National Theatre of Craiova's production of *Titus Andronicus* is dreadful. Were it performed in English, it would be treated with contempt as what it is: flashy, cheap-minded, crudely sensationalist, atrociously acted. As it is, it comes to us in Romanian.

The acting is, indeed, the worst element of the production. Those unfamiliar with this gory play may not know that Lavinia, Titus Andronicus's daughter, is not only raped by the Emperor's stepsons but also has her tongue cut out and her hands chopped off by them. In this production, however, her father adds one more blow: he rants and roars about her sufferings so vehemently that he actually shakes her, in her newly maimed condition, right off her hospital bed onto the floor. The actor in question is Stefan Iordache, who has a whale of a time. He switches from bass register to tenor and back again, from fortissimo to piano (and back again) – for no expressive reason, just to make an impression. He has several preposterously contrived gestures (I adored the slow bend sideways while slowly lowering a limply extended hand above his head), thumps the table a lot. He feigns no end of laughter, whining, and growling.

As the evil empress Tamora, Mirela Cioaba is no less jolly; and, like him, she throws in various extended tears-turning-into-laughter attempted tours de force. She narrows her eyes and speaks in a squeezed, sly voice to make sure we see how evil she is; but, with her lover Aaron, she adopts a baby-doll voice of equal artificiality.

Obviously, the director, Silviu Purcarete, likes this sort of ludicrous acting. The Latinate sonority of the Romanian language becomes an end in itself; the actors never address each other, or God, or us, as if their stage lives were remotely like real life. Nowhere do Purcarete's characters show any of the natural humanity that we recognise as Shakespearian; everything is coarsened into melodrama of the most obvious kind.

For Purcarete, *Titus* is comedy – no more tragic than a Dracula movie and a great deal lewder. (This is the first *Titus* I have seen where the most physically savage scenes win laughter from sections of the audience, and not of the nervous kind.) Tamora's two vicious sons, for example, are terrible twins here: the bulging Tweedledum and Tweedledee of the Goths, they pee into the backdrop and chortle to see their mother start to copulate with the emperor. Not only does Tamora hump Titus, he responds. The finale, in which Titus stabs Tamora, Saturninus stabs Titus, and Lucius stabs Saturninus, becomes a quick little quadrille, the big comic pay-off to the whole silly story (while a Mozart piano concerto plays on).

Stefania Cenean's designs add to the romping quality of the comedy. Tamora has a vast mane of hair down to her thighs (well, you know what Goths are like); Aaron has a ponytail of hair pouring from the front of his loincloth. White curtains surround most of the action, often animated by unseen hands. At times they hold props in mid-air while the actors busy themselves elsewhere, at times they bind certain characters fast; and the effect is invariably absurd. *Titus Andronicus* as comedy? How sick; how unfunny; how dull.

Alastair Macaulay

At the Lyric Theatre, Hammersmith, until May 24; then at the Nottingham Playhouse May 27-31. With the support of the Foreign and Commonwealth Office.

Alastair Muir

Curtains for Lavinia: an absurd Romanian production of 'Titus Andronicus'

The Brighton Festival

Mistress of her dance

Where have the years gone? It seems no more than a moment ago that we saw Siobhan Davies as a tall, elegantly-articulated young performer with London Contemporary Dance Theatre who was just starting to make choreography. But her first piece came in 1972, and within a couple of years she had made works which I remember admiringly to this day: *Pilot*, with its group of dancers stranded by night; *The Calm*, so serene; and the lucid, contemplative *Diary*. Here was a true, fresh and perceptive creator. Here also was a dancer who could reduce a theatre to hysterics as she set about putting up a deck-chair and changing her costume in Robert Cohan's *Waterless Method*. It was the world war organised by Bea Lillie.

Throughout the next decade these columns continued to record Davies' progress. At one moment it seemed as if her talent was becalmed, as if she had sunk too deeply within herself, but the distinction of her means, a feminine sensibility and clarity of form, were constants even of her less successful pieces. Visually her stagings were no less precise in their stylish look, and a decade ago, after a visit to America, it was as if Davies had renewed her talent, gained in physical drive with no loss of her natural refinement of expression. Her *Embarque* of 1988 for Rambert seemed to me a crucial development. The dance had a sweeping, more generous physicality than anything I had seen before.

Since then, Siobhan Davies' work has shown that confidence which comes to a creator secure in her craft as in her view of her art. Her concerns are about form and how that form may tell us about our world. Sometimes the dance's calligraphy is more vivid than the message, but the power of the brush-strokes, the subtleties of ink on paper, are handsomest rewards. And Davies demonstrates a rare virtuosity in handling her material. She dares, and knows how to bring a dare to success. In works as different as *Winnsboro Cotton Mill Blues* (made in 1992 for Rambert) and the stunning *Art of Touch* for her own troupe in 1995, she has a commanding skill in making dances. She is mistress of her art.

And never more so than in her newest piece, which forms part of a double bill of recent work now touring Britain. The Brighton Festival brought the Davies Dance Company to the Gardner Arts Centre last Thursday, where I saw the brand new *Bank* and her revision of *White Man Sleeps* which dates from 1988. *Bank* is a dazzling construction, rooted in Matteo Fargeon's percussive score. If I say that it is intellectually exhilarating, it is because Davies shows how movement may be shaped, developed, knotted, untied, spread over the stage or confined into angry clumps of dynamics. But there is also a perceptible structure of phrase and variation, and – best of all – a kind of intoxication about the nature and quality of movement itself. Her dancers – Gill Clarke, Deborah Saxon, Sarah Warsop, Sean Feldman, Paul Old, David Hughes – are tremendous (and the men more tremendous than the women), and she and they are exactly attuned.

There is a drum-driven energy to the score which colours the dance; changes of dynamics, of pulse, of density, give it emotional as well as physical force. It is typified for me in the dancing of Sean Feldman. A dancer of almost transparent physicality, he accepts the choreography's impulse, and can show how a phrase begins with a sharp accent of the head which then impels body and limbs into a seamless and subtly varied phrase. (Feldman is one of the most distinguished dancers in Britain today, and over the past five years, Davies has explored and extended his mercurial gift to splendid effect).

Bank is Davies at her most Lisztian – creator as virtuoso. The revised *White Man Sleeps* is undeniably fine, albeit its language is softer, its emotional and physical climate more secretive than in *Bank*. Its score by Kevin Volans (in a version for harpsichords, percussion, viola da gamba) is, I suspect, less inviting to dance. The piece is filled with fine lines of action, but I felt slightly under-nourished by it.

Watching *Bank*, which followed, I was held by a magisterial command of stage, of movement, of theatrical effect, though – and Siobhan Davies will laugh at me for saying this – these were hinted at, oh so slightly, in *Pilot*, nearly a quarter of a century ago. She has, across these 25 years, been true to her talent, without compromise. What she has given us is a body of work of integrity, lasting significance, resonant grace. And there is (D.V.) much more to come. Doddering though I may well be by then, I look forward to her Golden Jubilee. Until then, admiration, gratitude, tremendous good wishes.

Clement Crisp

The British premiere of *K'far (The Village)*, Joshua Sobol's play as presented by Israel's Gesher Theatre, is competent, cutesy, earnest, sentimental, worthy, overlong, and not seriously deserving of international touring. Others may dispute this: the Brighton Festival engagement launched an English tour that continues until June 7.

Over three hours, the play charts the tale of one Israeli village over the years 1942-47. We follow things through the eyes of a simpleton. His friendship with a goat and a turkey, his romps with his elder brother and the girl who in due course becomes his sister-in-law, the ordinary and eccentric and foreign inhabitants of the village.

There is a great amount of well-meaning charm. The staging sets too much of its action to repetitive tunes, and aims too much of it directly out to the audience. Everything is saccharine except for the occasional bouts of warfare and suffering, and we always know how we will feel long before we feel it.

A.M.

Siobhan Davies Dance Company can be seen in Cambridge (May 30 and 31) and Sheffield (June 3 and 4). An autumn tour follows. *K'far* tours to Newcastle, Cambridge, Manchester, and the Lyric Theatre Hammersmith.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

OPERA
Het Muziektheater Tel: 31-20-5518117
● *Eugene Onegin*: by Tchaikovsky. Conducted by Hartmut Haenchen and performed by de Nederlandse Opera. Soloists include Hebe Dijkstra, Elena Prokina and Hana Minutillo; May 25

BERGAMO

CONCERT
Teatro Donizetti Tel: 39-35 399 320
● Philharmonia Orchestra London: with conductor Claus Peter Flor in works by Brahms. Part of the Festival Pianistico Internazionale di Brescia e Bergamo; May 25

BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Nabucco: by Verdi. Conducted by Renato Palumbo, performed by the Orchester der Beethovenhalle Bonn and the Oper der Stadt Bonn. Soloists include Mauro Augustini, Alexander Spemann and Lucia Naviglio; May 25

EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Picasso: Works from the Collection and Works on Loan: exhibition of 25 pieces from the gallery's collection, together with three additional paintings on loan. Included in the display is a rare early collage work and a number watercolour sketches; to Jul 30

FRANKFURT

EXHIBITION
Schirn Kunsthalle Tel: 49-69-2998820
● Berge, Blicke, Belvedere: exhibition featuring 184 works by lesser-known Swiss artists ranging from the Enlightenment period to the present; to Jun 1

GENOA

OPERA
Teatro Carlo Felice Tel: 39-10-589329
● Werther: by Massenet. Conducted by Daniel Oren. Soloists include Alfredo Kraus and Mika Shigematsu; to May 25

LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● Akademisches Orchester: with conductor Horst Förster and pianist Susanne Grützmann in works by Cherubini, Mozart, Bizet and Gershwin; May 25

LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Peter Sheppard: performance by the violinist, accompanied by pianist Aaron Shorr. The programme includes works by Schubert and Bartók; May 27
Wigmore Hall Tel: 44-171-9352141
● Orchestra of the Age of Enlightenment: with conductor Monica Huggett and oboeist Anthony Robson in works by Muffat, Lully, Bach, Handel and Purcell; May 27

EXHIBITION
Dulwich Picture Gallery Tel: 44-181-6935254
● The Inner Eye: Art Beyond the Visible: exhibition examining the dreams and fantasies that have inspired artists from the Middle Ages to the present day. Featured artists include Blake, Collishaw, Ernst, Goya, Kandinsky, Klee and da Vinci; to Jun 1
National Gallery Tel: 44-171-7472885
● Student Transcriptions at the National Gallery: the result of a five years' collaboration between the National Gallery Education Department and several art colleges, this display comprises a wide range of student work inspired by paintings in the Gallery's collection; to Jun 22

OPERA
Royal Opera House – Covent Garden Tel: 44-171-2129234
● *Elektra*: by R. Strauss. Conducted by Christian Thielemann. Soloists include Deborah Polaski, Nadine Secunde and Felicity Palmer; May 27

LYON

OPERA
Opéra National de Lyon Tel: 33-4-72 00 45 00
● La Bohème: by Puccini. Conducted by David Robertson, performed by the Orchestre, Choeur and Maîtrise de l'Opéra de Lyon. Soloists include Barbara Hendricks, Stephen Guggenheim, Anne-Marguerite Werster and Christophe Lacassagne; May 24, 27

MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Patricia de la Vega: the pianist performs works by Mozart, Schubert and Beethoven; May 24

MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Carl Philipp Fohr: display of work by the German Romantic painter, featuring 340 drawings and seven paintings, many never before exhibited. Fohr's life was cut tragically short when he drowned at the age of 22 and this one of the most extensive exhibitions of his work to be mounted; to Jul 20

NEW YORK

EXHIBITION
Brooklyn Museum Tel: 1-718-638-5000
● American Paintings: Ashcan and Modernist: display of works taken from the Museum's own collection of paintings from the first half of the 20th century; to Jun 29
International Center of Photography Tel: 1-212-860-1777
● Helen Levitt: Crosstown: retrospective of work by the American photographer, featuring 75 images, ranging from children at play in the 1940s to colour pieces from the 1970s and her recent black and white work, all portraying a vibrant city where life is lived out on the streets; to Sep 7

PARIS

DANCE
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Signes: choreographed by Carolyn Carlson to music by Aubry, performed by the Ballet de l'Opéra National de Paris; May 27, 28

ROME

OPERA
Teatro dell' Opera di Roma Tel: 39-6-481601
● Il Barbiere di Siviglia: by Rossini. Conducted by Hugo de Ana. Soloists include Bruno Pratico, Roberto Frontali and Ildebrando d'Arcangelo; May 27

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Die Zauberharfe: by Schubert. Conducted by Heinz Holliger and performed by the Wiener Symphoniker and the Concentus Vocalis. Part of the Wiener Konzerthausgesellschaft; May 27, 28

WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Alexander Calder: The Collection of Mr and Mrs Klaus G. Perls: exhibition of work by the American artist best known for his mobiles. In addition to 15 sculptures, the display includes works on paper and jewellery; to May 26

ZURICH

OPERA
Opernhaus Zürich Tel: 41-1-268 6666
● Die Zauberflöte: by Mozart. Conducted by Nicholas Cleobury. Soloists include Elena Mosuc, Margaret Chalker and Roland Hermann; May 27

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

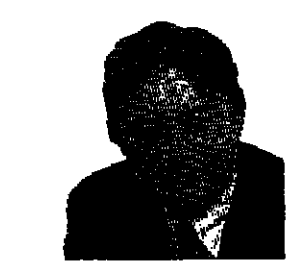
17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight



Philip Stephens

Ballots and bullets

Blair might find it useful to listen to the views of a former IRA terrorist, who knows how Sinn Féin's leaders think

I recently met a man who used to murder for Sinn Féin/IRA. Like the London and Dublin governments, he makes no distinction between the political and the terrorist wings of Ireland's republican movement. Unlike them, he believes there is no prospect short of a united Ireland of the gunmen surrendering permanently the Armalite for the ballot box. The analysis may be mistaken. But, as Tony Blair offers republicans another chance to swap guns for politics, the views of someone who has pulled the trigger merit a hearing.

Sean O'Callaghan is a self-confessed double-murderer who once served as Sinn Féin/IRA's southern commander. By the early 1980s, gripped by personal revulsion at his part in a mindless campaign of terror, he was an informer for the Dublin government.

Then, in 1990, came a prison sentence totalling 539 years after he chose to admit his crimes in a British court. He was released last year on the command of the Queen after the security forces confirmed his role in the imprisonment of about 50 of his erstwhile friends. He lives now in the shadows – facing the automatic death penalty passed by republicans on informers.

Mr O'Callaghan is as passionate in his criticism of Sinn Féin/IRA as he was once in serving it. Before meeting him, I had doubts whether such a man was capable of a rational perspective. There seemed something of the over-zealous convert about him, an absolutism incompatible with the cool objectivity demanded of those who seek solutions. To some he is a patsy for the Protestant Orangemen whose triumphalism is republicanism's best recruiting sergeant.

I found him otherwise. Mr O'Callaghan's quiet, gentle demeanour belies his past life. He is sure in his conviction that the so-called peace process is being manipulated by Gerry Adams and Martin McGuinness, Sinn Féin's leaders. But he is not blind to the dangers of arrogant unionism.

Briefly, his argument runs as follows. Sinn Féin/IRA has never abandoned violence. It has simply refined it to achieve maximum political impact. Its strategy has been based on a subtle shuffle between the ballot box and the bullet.

Mr Adams, this view says, wants first to displace John Hume's Social Democratic and Labour party as the dominant force within the province's nationalist community. That means positioning Sinn Féin as a party seeking peace, a reluctant apologist for IRA violence.

A second, linked aim is to drive the unionist community into conflict with London. A Protestant backlash against a "sell-out" to Sinn Féin/IRA would radicalise the Catholic community and advance the day when a British government washed its hands of the province.

This is what Mr O'Callaghan calls the strategy of the "long war" formulated by Messrs Adams and McGuinness during the 1980s. Politics and violence become interchangeable, depending on the circumstances of the moment.

> O'Callaghan believes Sinn Féin/IRA has never abandoned violence. It has simply refined it to achieve maximum political impact

This is not a new analysis, but it is one for which Mr O'Callaghan can claim testimony from the lips of Mr Adams himself. Even as British officials were meeting a Sinn Féin delegation this week under the terms of Mr Blair's initiative, Mr Adams set out the IRA's position in the Irish Times.

The received wisdom has been that the last attempt at a permanent ceasefire faltered because John Major's precarious parliamentary majority left him in hock to the unionists and to critics on the Tory backbenches.

Wrong, says Mr Adams: "The difficulties arose from that government's position towards Ireland and its support for the Union. It is this which has consistently underpinned London's Irish policy, not the government's majority or lack of majority, which merely influences how it implements that policy". In other words, the IRA returned to terrorism after its 18-month ceasefire because Mr Major defended the absolute right of the majority to determine Northern Ireland's constitutional future. This, in Mr Adams's view, was to "occupy and lay claim to a part of Ireland by force".

The trouble for Mr Adams is that Mr Blair too has signed up to Mr Major's principle of consent. In his first words to the people of Northern Ireland last week, the prime minister was unequivocal. Unionists, he said, "have nothing to fear from a Labour government". It would not be a persuader for unity. And, lest any doubted his intentions, Mr Blair added that even the youngest in the audience was unlikely to see Ireland united.

So if Mr Adams is to be taken at face value, nothing had changed. There is no more reason to treat with Mr Blair than with Mr Major. If Sinn Féin/IRA were to formalise its present, de facto ceasefire, it would be a tactical manoeuvre and not a permanent renunciation of violence.

Do not misunderstand. I believe Mr Blair was right to offer Mr Adams and his chums another chance. The nationalist community is half convinced Mr Major squandered the last opportunity. And we are entering dangerous times.

The dreadful events last summer at Drumcree in Portadown when the security forces retreated before a mob to allow the Orange Order to march in celebration of Protestant supremacy could not have been more calculated to drive peaceful nationalists into the arms of republicans. No doubt Mr Adams is hoping for a repeat performance during this year's marching season. Only the Orange Order can deny him that satisfaction.

So it was imperative that Mr Blair demonstrate that it lay in the hands of Messrs Adams and McGuinness to remove the remaining obstacles to peace. I sense, too, that the prime minister is approaching the issue with due caution. The sanguine mood in the Northern Ireland Office is well tempered by a harder realism among those who advise Mr Blair. There is a contrast between the precision of his language and the looser rhetoric of Marjorie Mowlam, the Northern Ireland secretary. Sinn Féin/IRA will not find he is a politician easily duped.

Of course, Mr O'Callaghan may be mistaken. After all, he was once about as wrong as it is possible to be. There are plenty of British officials who will tell you republicans are indeed toying with the tortuous transition from violence to politics. If that is the case, Mr Blair should respond. But he might also spare a discreet moment for someone who knows how these people think.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Translation may be available for letters written in the main international languages.

IMF support for Mobutu left more deserving without funds

From Mr Steve Hellinger.

Sir, I noted with interest your articles on May 12 regarding the siphoning off by former President Mobutu of Zaire of International Monetary Fund funds over the past 15 years ("How Mobutu built up his $4bn fortune").

Mobutu's corruption, including his rip-off of foreign aid, and its deleterious impact on the Zairian people, has for years been one of the world's worst kept secrets. So has the use of the IMF to support regimes, such as Zaire's, that protect and promote powerful northern financial interests.

In the meantime, governments that have sought to promote the well-being of their citizenry have been denied IMF financing – and, as a consequence, virtually all the international funding – unless they adhere to IMF economic doctrine. This is indeed a scandal worthy of an FT investigation.

Steve Hellinger,
president,
The Development Group For Alternative Policies,
927 Fifteenth Street, N.W.,
4th Floor,
Washington, D.C. 20005,
US

From Mr Adewale Adedayo.

Sir, Your story on attempts by Swiss authorities to trace embattled ex-President Mobutu Sese Seko's wealth in their banks ("Swiss hunt for Mobutu family's hidden millions", May 15) makes interesting reading. We anxiously await the findings. It should be of interest to Nigeria and its impoverished nationals as well. Its fabled oil wealth is yielding interest for corrupt past and current officials in financial institutions around the world.

Who knows, Nigeria may yet be able to pay off tonnes of debts which the average Nigerian never benefited from in the first place. Our hope lies in these banks. One hopes the investigation does not take as long as it took revelations about the Nazi war gold to surface.

Adewale Adedayo,
4 Harold Street,
Roath,
Cardiff CF2 1PA, UK

From Mr Jack Boorman.

Sir, Readers of the May 14 Financial Times should thoughtfully compare Jubilee 2000 campaigner Ann Pettifor's letter on your ex-president Mobutu report with the commentary by Tony Hawkins ("Can African economies sustain their recovery?") on sub-Saharan Africans' need for foreign private investment to overcome lagging growth rates.

In the unlikely event that the campaign for official debt forgiveness *sans* economic reforms were to succeed, jubilation could quickly turn to despair. While we all strongly support debt relief for the heavily indebted poor countries, it stretches credulity to assume that investors or aid donors would step up in countries lacking both sound economic management and a track record of servicing (at least) rescheduled external debt.

Jack Boorman,
director,
policy development and review department,
International Monetary Fund,
Washington DC 20431, US

From Mr Giovanni Zocchi.

Sir, I must say that I stopped half-way through your piece on ex-president Mobutu. The pillaging of an impoverished country is despicable enough, but we have nothing to feel so virtuous about. Had your article appeared 10 years ago it would have prompted International Monetary Fund officials for some explanation of their dealings with Mr Mobutu's government. Written today, it has a different taste.

Giovanni Zocchi,
72A Blegdamsvy,
Copenhagen 2100,
Denmark

Millennium redress complex

From Mr David Strong.

Sir, Stephen Castell's letter, "Millennium computer bombers should be brought to justice" (May 13), fails to do justice to the difficulty of seeking redress against those responsible for millennium problems. Concepts such as "merchantable" or "satisfactory" quality are not easily applied to software which is not millennium-compliant while the time lapse since some non-compliant systems were installed will defeat many otherwise valid claims.

Directors have a responsibility under existing law to consider their company's position and the feasibility of taking legal proceedings to recover losses sustained due to millennium problems. This will inevitably be a complex exercise not only because of the law's uncertainty but because of the age of many systems and the number of possible targets – system designers, facilities managers, auditors etc. Only in rare cases, such as where express statements have been made as to the ability of the system to last until the new millennium, will a clear remedy be available.

David Strang,
Barlow Lyde & Gilbert,
15 St Botolph Street,
London EC3A 7NJ, UK

UK chancellor on horns of economic dilemma

From Mr Peter Curwen.

Sir, Conventional wisdom in the UK dictates that the government extols the success of the economy while the opposition claims that there is much room for improvement.

Why is it, therefore, that when the World Economic Forum's Global Competitiveness Report 1997 puts the UK in seventh place worldwide, up from 15th in 1996 ("Britain seventh in 'world competitiveness league'", May 21), the UK chancellor of the exchequer, Gordon Brown, responds by claiming that this is untrue and that he puts his faith in an alternative prosperity league, prepared by the OECD, which places Britain in 21st place?

Could it be that Labour finds itself in the embarrassing position of inheriting an economy with much less room for improvement than is usual at the time of an election, and hence must pretend to the contrary for fear that its supporters will not otherwise notice any improvement, even if this necessitates agreeing with its European partners to adopt the very practices which caused the UK to rise above them all over the past year?

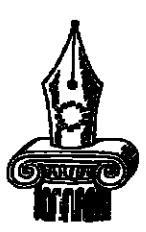
Peter Curwen,
Policy Research Centre,
Sheffield Business School,
Sheffield Hallam University,
City Campus,
Unit 7,
Sheffield Science Park,
Sheffield S1 2LX,
UK

Europa · Dominique Moïsi

Consensus of discretion

France is missing the opportunity for a debate on the EU during its election campaign

Tight-lipped: neither Alain Juppé (left) nor Lionel Jospin campaigns openly on Europe



"Bliss was it in that dawn to be alive. But to be young was very heaven." After Tony Blair's remarkable victory, some in the UK may have been tempted to think of those famous Wordsworth lines celebrating the outbreak of the French Revolution. New faces after 18 years of Tory rule, a reassuring continuity and a climate of economic recovery could evoke such sentiment.

The contrast could not be greater between the present exhilaration felt in the UK and the gloom, if not depression, exuding from France as it prepares to vote in the first ballot of early legislative elections.

Both sides of the political spectrum in France have tried to exploit Blair's victory. The conservatives in power were rightly quick to highlight the contrast between the archaism of the left in France and the modernity of the Labour programme in the UK. The French left stressed instead the victory of change, and the return of the left to power across the Channel.

But neither Alain Juppé nor Lionel Jospin is Tony Blair. In terms of physical presence and charisma, Jospin, the leader of the French Socialist party, resembles John Major more than the new prime minister of Britain. And Alain Juppé is far from having the Clinton-like charisma of a modern politician. His unpopularity, largely unmerited, is a product of his technocratic brilliance and aloofness.

If the French are depressed by the campaign and if the polls indicate the prospect of a victory for the government – although probably with a much-reduced majority – this is largely because public opinion has not yet understood why an election was necessary. The prospect of the return into government of either Socialists or the supporters of Edouard Balladur, the former prime minister, does not excite them.

Instead, the elections run the risk of becoming simply a test of the mood of the public in order to guide the president in the choice of France's next prime minister. The return of a comfortable majority would confirm Juppé in his role, whereas a weaker majority would probably lead to a change of prime minister, chosen, of course, by Jacques Chirac, the president.

The campaign has given a strong impression of *déjà vu* and unreality. This is because Europe has largely been absent from the debate. This is in spite of the fact that the official motive given by the president to call an early election was the need to complete France's domestic political calendar before the final run-up to Emu.

The attitude to Europe of the right and left during the campaign is in itself very indicative. In spite of their respective divisions over Europe – especially among the left – there is a surprising amount of consensus on the issue between the opposition and the government. But there is also a growing divergence between public opinion and the political elite: Europe and the objectives of Maastricht appear not so much negative as simply irrelevant to a growing number of French voters who do not see what Europe can offer them.

In this context it is only natural that the Socialist opposition and the Conservative majority find themselves in a game of musical chairs. They have created a consensus of discretion, if not ambiguity, on the subject of the EU. Both camps are perfectly aware that one does not gain votes by campaigning too openly for Europe – a lesson which was applied by Blair himself in the British electoral campaign. But both camps know one can lose respect and legitimacy among one's European peers by disassociating oneself too openly from Maastricht objectives.

Philippe Séguin, president of the national assembly, has been obliged to sound more "European" than he probably is, to present himself as a credible candidate for prime minister. Chirac told Chancellor Helmut Kohl before the French public of his intention to call for early elections, a move supported by the German chancellor.

Yet Kohl is also probably convinced that if Jospin were to be the next prime minister of France in a new cohabitation formula, the attitude of Paris to Europe and the euro would not change much.

In other words, the real division on Europe is not between left and right, but between those in power and those in opposition. In the opposition, one can sound constructively critical. Once in power, all parties must express a reassuring continuity, if not conformity. Unfortunately, the cause of Europe suffers greatly from the fact that its message seems antiquated, irrelevant or, even worse, obscure.

In western Europe, the justification of the EU on the grounds of preventing a return to the bellicose past seems insufficient for most young French and Germans. Their parents were born after the war and, for them, the absence of boundaries between the two countries has become a daily reality. If the past looks *dépassé*, the future is not defined in clear terms. European political elites are now starting to pay a price for the fact that, since the failure of the European Defence Community in 1954, they have advanced under cover on the cause of Europe, hiding political ambitions behind technical and technocratic schemes. The final incarnation of that phenomenon is the euro.

Ultimately, the question remains whether Europe will be a mere geographic "space" or an active power? And if so what kind of power – the United States or the United Nations of Europe? Are the Europeans emotionally ready to stomach the reality of their own collective sovereignty, with the sacrifices of national identity this would entail?

No wonder one finds a minority of French citizens – a quarter to a third – passionately anti-European and a majority that is, at best, moderately or passively pro-European.

Once more a real debate on Europe has been missed because governments are afraid to speak openly about the subject. Instead of having the opportunity to debate democratically on Europe, the French are simply asked to help orient the president on the choice of prime minister. This is a costly – not necessarily efficient or democratic – way of restoring a "social contract" in Rousseau's sense of the term between the government and the governed.

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Friday May 23 1997

Scandals in Japan

Another day, another financial scandal in Tokyo. Nikko Securities' confession of illegal bond trading and the widening scandal at Nomura and Dai-Ichi Kangyo Bank show that the system has far to go before becoming as open and transparent as its leaders say they want.

It is hard to avoid the conclusion that corruption is widespread. Three senior executives of Nomura Securities, Japan's largest stockbroker, are under arrest for alleged pay-offs to the leader of a gang of *sokaiya*, the corporate extortionists who extract bribes in exchange for keeping legitimate shareholders quiet at annual meetings. Now the government has admitted that three cabinet ministers had held so-called VIP accounts at Nomura.

For many years in Japan, a dose of corruption might be thought to have lubricated a fearsomely efficient machine. During the economic revival of the 1970s, Kakuei Tanaka, the former prime minister, and other senior politicians were accepting bribes from most of the construction industry and companies in other sectors without doing much harm to the economy or to Japan's broader interests. Bribes, although deplorable, were part of a system of stable company management and government.

But the latest scandals raise wider anxieties. As Japan becomes increasingly exposed to global markets, such scandals harm the reputation of its companies and politicians just when they want to be taken more seriously.

In the past, corporate payments to *sokaiya* helped managements to suppress demands for higher dividends and thus eased the way for reinvestment of earnings. Now, Japan's top companies seek to woo foreign shareholders, and to gain credibility in a growing number of foreign markets. Foreign competition in Japan will also increase as a result of financial deregulation.

Japanese politicians are, by contrast, less exposed to outside pressure. Whether or not Nomura's political VIP accounts were illicit, they are a reminder that the exchange of cash for political favours is still rife.

Pork barrel politics has tended to stifle political debate. That mattered less in the period of rapid growth. But now Japan's politicians face more complex choices, such as how to govern a maturing economy or to deal with instability in east Asia.

Perhaps the latest scandals will shock the system into moving towards better corporate and national governance. But, as so often in Japan, reform tends to progress at an evolutionary pace. It may not be fast enough.

Iran's election

Iranians go to the polls today to elect a successor to President Ali Akbar Hashemi Rafsanjani, providing another example of the weird mix of theocracy and democracy which so baffles western policymakers. This election, however, could start to make the Islamic revolutionary regime more like a normal state, with which its neighbours and the west can feel less uncomfortable.

The presidential election, though circumscribed to four candidates considered Islamically correct by the mullahs, is a genuine contest. Until recently it was assumed that the speaker of the *Majlis* (parliament), Ali Akbar Nateq-Nouri, would coast into office with the support of the conservative clergy and the protectionist bazaar and, above all, the endorsement of Ayatollah Ali Khamenei, Iran's supreme spiritual guide.

But since January he has faced a growing challenge from former culture minister Mohammad Khatami. Mr Khatami, sacked in 1992 for loosening Islamist social controls, has gathered support among intellectuals, the Islamic left, women, and the young. He is also backed by businessmen looking to open up the economy and technocrats brought into government by Rafsanjani.

The conservative Nateq-Nouri remains the favourite but a second round is likely and a Khatami victory by no means impossible. That would make Iran a less illiberal and isolationist place, but either way, a realignment of the Iranian leadership is on the cards. Rafsanjani, ineligible to stand again, will head a body called the Assembly for Diagnosing the Interests of the Regime, which looks set to absorb some of Khamenei's powers and make the outgoing president the regime's number two.

Under Rafsanjani, Iran has gradually begun paying more attention to Iran's national and economic interest than to the export of its revolution, but the fragmentation of the leadership into rival power centres still allows too much room for the adventurism that earns Iran its pariah status. This election may put an end to such factionalism, and has focused less on ideology than on material concerns like jobs and inflation, corruption and privatisation; even Mr Nateq-Nouri is beginning to sound like one of Mr Rafsanjani's technocrats.

The US and the European Union should be alert to any sign that Iran's leadership is becoming more stable and interested in economic development. That might make it possible for them to devise a system of rewards and punishments for Iranian behaviour on which the western allies can agree.

German wages

When in a hole, first stop digging. This is why the common initiative for more jobs in eastern Germany, announced yesterday by chancellor Helmut Kohl, is to be applauded. At least it shows recognition by the government, employers and trades unions that targets for east Germany in national wage agreements amount to euthanasia of its fragile economy. But this belated change of heart will not restore the battered economy to health.

That is implicit in the programme's target of an additional 100,000 jobs, to be achieved through more wage flexibility and an increase in investment and purchasing by western companies in the east. Since eastern employment has fallen from 9m to just over 6m and the number of officially unemployed is 1.3m (17.5 per cent of the labour force), this is small beer. Nor is the target likely to be achieved. Last year's plan for Germany, the alliance for jobs, failed.

A cynic would argue that Mr Kohl is only interested in the fanfare of the announcement. A more generous soul would conclude that he just places too much weight on what employers say, collectively, and too little on what is in their interest, individually.

The reality is that over 60 per cent of employers in eastern Germany have already opted for factory bargaining. Thus, the new agreement can make only a modest difference to what is happening on the ground. The reality is also that, notwithstanding this increased flexibility, wage increases in east Germany have outstripped those in the west since unification and labour costs in manufacturing are running at some three quarters of west German levels, even though productivity per worker is little over half. Unit costs in east German manufacturing are among the highest in the world.

Not surprisingly, the manufacturing sector in the new Länder is anaemic, generating only 15 per cent of its gross domestic product, while most of the subsidy-fuelled growth has been in services, particularly construction. But subsidies have stopped growing. This, in turn, has reduced overall east German growth from around 10 per cent a year in 1994 and 1995 to below 3 per cent in the year to the last quarter of 1996.

The three big policy errors have been use of most of the west's subsidies to support idleness, not work; the failure to accept that a 25 per cent increase in the German labour force necessitated an appreciable downward adjustment in pan-German real wages; and, not least, the commitment to equalisation of wages between east and west. The new programme is likely only to stop eastern Germany's competitiveness hole becoming deeper. It will not put the east on level ground.

Birth of Brown's brainchild

The UK government's plans for a super financial regulator may create complications, warns Peter Martin

Mr Gordon Brown, the UK's chancellor of the exchequer, has begun the process of creating a monster. Like Dr Frankenstein, his intentions are benevolent. But the monster may prove harder to control than its creator imagines.

The aspect of his proposed reform of City regulation that has attracted most attention is the plan to move responsibility for banking supervision from the Bank of England to the Securities and Investments Board. But that is in many ways the simplest task. It can be accomplished by adding a few clauses to the bill due later this summer which will give the Bank operational independence on monetary policy.

Much more complex is what follows: reform of the Financial Services Act in late 1998 or early 1999 to create the enhanced SIB. Between now and then, the financial world will be in flux.

SIB and its subsidiary regulatory agencies, which are to be merged, will undergo a sweeping reorganisation. The style of City regulation, only just stabilising after wholesale changes in the 1980s, will again be up for grabs.

The result may well be a better regulatory structure. But veterans of the last set of reforms view the task of creating the system warily. Much will depend on how the Treasury's civil servants plan the details; and on how Mr Howard Davies, the chairman-designate of SIB, pulls together his sprawling new empire.

Some fear the worst. "The whole concept of having it all under one roof and [the assumption that] therefore it will be easier to administer could be a monumental misconception," says a former regulator.

Three critical questions centre on the scope of the new super-SIB, its internal organisation, and the style of regulation it intends to adopt.

The question of scope was not fully clarified in Mr Brown's statement this week. At present, SIB is responsible for participants in financial markets and for the managers and vendors of investment products. Its remit will now extend to supervising commercial banks. But the Treasury has yet to make clear whether SIB should also take on responsibility for regulating other financial services.

Building societies, for example, are supervised by the Building Societies Commission. Insurance is regulated by the Department of Trade and Industry. Lloyd's of London, though ultimately responsible to the DTI, has its own elaborate regulatory system.

It would make sense to add these areas to super-SIB's responsibilities. Indeed, Mr Brown told parliament that "there is a strong case for bringing the regulation of banking, securities *and insurance* together under one roof".

But doing so would increase the size and complexity of the new regulator, rendering a difficult management task more demanding still. It would pose yet more forcefully the question of how the new body is organised. The simplest structure for super-SIB would be to divide it into departments reflecting the different elements of the industry. Thus, there would be a banking department, based on the team brought from the Bank of England; a securities and futures department, based on the current Securities and Futures Authority; a fund management department, based on the Investment Management Regulatory Organisation; and a personal investment department, based on the present Personal Investment Authority. To these could be added a building societies department and an insurance department.

Each of these would be able to get close to the institutions it supervises. But the process of specialisation would recreate inside the new SIB the Balkanisation which is a much-criticised feature of the present system. It appears to contradict Mr Brown's principal argument for integration – the blurring of distinctions between different types of financial institution. "Firms organise and manage their businesses on a group-wide basis," he said on Tuesday. "Regulators need to look at them in a consistent way. This would bring the regulatory structure closer into line with today's increasingly integrated financial markets."

Such an approach would argue for a different organisation for super-SIB. Instead of the vertical departments now envisaged, it might be divided into three "horizontal" groups. These would address whether an institution was adequately capitalised for its business; whether it was behaving in its market dealings; and whether it was treating individual investors or depositors fairly. Each group would apply a common underlying philosophy to all institutions under its control, whether global investment banks or independent financial advisers peddling personal pensions.

The idea of a common philosophy is appealing. Sir Andrew Large, departing chairman of the current SIB, has emphasised the absence of such an approach under the current system. "The last thing investors need is for different regulators to be laying down different marketing standards for their member firms," he said this week. " 'I did it my way' is a fine philosophy, and well adapted to poets and musicians. But is it really a sound principle for regulatory bodies?"

Yet, as one former regulator points out, there are sound reasons why the prudential ratios applied to banks are stricter than those applied to non-banks, such as insurance companies. "Banks are in the business of maturity transformation [they borrow short and lend long]," he says. "This means they require higher prudential ratios than other institutions." And because banks lie at the heart of the money transmission system, a bank crash poses economy-wide risks.

A "prudential supervision" group at the new regulator would need to know enough about each of the businesses in its area to be able to set appropriate ratios. It would also need deep enough knowledge of each of the institutions it supervised to be able to say immediately – in the event of a run on a bank – how serious the problem was, and how it should be resolved.

"You don't get two weeks to work that sort of thing out," says one past regulator. "You don't even get two days – it might be a matter of making a decision within hours. It is intimate knowledge of individual institutions that allows you to do that."

The likely outcome, therefore, is some form of matrix structure for the new SIB: a vertical set of departments to follow individual types of business; and a horizontal set to handle standards, consistency and cross-industry issues. Designing such a structure is not easy. It is just as well that Mr Davies, to whom the task of creating the organisation will fall, has a background as a management consultant.

"If Howard Davies has the sweep of imagination to grasp some of these concepts and put them into a functioning machine, then he's a better man than I," says another former regulator.

Organisation is only a part of the task. "So much in regulation is not about structure, but about attitude and management: the 'how' of regulation; the way it is done," says Sir Andrew.

There will be a potential conflict of styles within the new SIB. The Bank of England has traditionally taken a permissive approach: it asks "why not?", says one former official, rather than "why?". Agencies such as Imro or the PIA have tended to be more prescriptive.

Mr Davies will have to decide how far his organisation will base its regulation on rules and how far on discretion. Discretion allows for more innovation; rules provide more certainty. Both approaches have their advocates.

A related issue is that of striking a balance between cost and prudence. How many inspectors should there be? How heavy a capital requirement is justified by the interests of investor protection? There are any number of similar trade-offs – inspection versus self-assessment, controls on products versus controls on selling, and so on.

Even one of the style issues on which Mr Brown has made himself clear – the need to preserve "differential levels of regulation for wholesale and retail business" – is not straightforward. Increasingly, retail customers buy investment products created by sophisticated market operations. The distinction between the two markets is becoming blurred.

Similar questions apply to Mr Brown's other style requirement: the need to preserve "practitioner involvement". One of London's big advantages as a financial centre, says one market official, is that it does not have to contend with the US Securities and Exchange Commission, dominated by lawyers and completely removed from the playing field. Yet the centralised SIB will inevitably offer less scope for direct involvement by market practitioners than the more devolved structure it replaces.

Still, as it forges its own regulatory style, the new SIB has an important asset: the recent shift by both the Bank and SIB towards so-called risk-based regulation and management accountability. The first of these buzzwords means assessing the risks in each individual institution, and focusing regulatory attention on the weakest. The second means forcing senior managers to take overall responsibility for regulatory infractions in their businesses, a lesson reinforced by the Barings crash and the pensions mis-selling scandal.

This new set of principles is one of Mr Davies's strongest cards. Another, as one rueful regulator points out, is that the government has given such a clear indication of what it wants there will be little scope for argument.

The final, and most overwhelming advantage, is the concentrated power the new regulator will have over the UK financial system. The City half-welcomes, half-fears the birth of such a behemoth. It is waiting, nervously, to discover which reaction is right.

· OBSERVER ·

Renaissance architect

■ The new cosiness in transatlantic relations is about to be reaffirmed by the appointment to the US embassy in London of Phil Lader, an old buddy of Bill Clinton and a supreme networker from South Carolina. He had been a lawyer, college president and resort developer by the time Clinton summoned him to Washington for a series of sensitive jobs, most recently as head of the Small Business Administration.

Lader is best known as the organiser of "renaissance weekends" – high-powered gabfests for the great, clever and good which take place behind firmly closed doors by the South Carolina coast over the New Year holiday. The Clintons are regular attenders along with a rich assortment of intellectuals, judges, governors and the occasional sportsman or comedian.

While Lader's move is an unexpected development – he had been widely tipped for the embassy in Ottawa – an even bigger surprise is that Nick Burns, the State Department's perfectly groomed chief spokesman, appears likely to be be Uncle Sam's man in Athens. This might help explain why, at recent State Department briefings, Burns has been keen to distance himself from a US government publication that described the Greek press as irresponsible and sensationalist.

Royal weed

■ Much huffing and puffing at Scandinavian airline SAS after it had declined – politely – a plea from Estonia's president Lennart Meri that he be allowed to light up after its in-flight smoking ban starts in September.

Meri seemed to have got the idea that Denmark's cigarette-loving Queen Margrethe, a regular SAS traveller, was exempt from the ban, and wanted the same VIP treatment, but the idea of a royal exemption had not crossed SAS executives' minds. Great was the relief when Denmark's royal palace let it be known that Queen Margrethe would remain a smokeless zone.

Trojan workhorse

Carlo Trojan, new secretary general of the European Commission, is a half-Dutch, half-Italian Mr Fixit who built his reputation on his crucial role in the backstage diplomacy surrounding German unification.

Working alongside Jacques Delors, then president of the Commission, Trojan made sure the annexation of eastern Germany took place smoothly within the EU legal framework. His most treasured moment was stepping on to the tarmac of east Berlin's Schönefeld airport as the first EU representative to hold official contacts with the East German authorities.

Since those heady days in 1989-90, Trojan has handled the EU's trickiest issues, including the 1995 talks on bringing Finland, Sweden, and Austria into the EU. His latest job is even more daunting: heading the "Agenda 2000" project examining the impact of eastward enlargement and advising on which central and eastern European countries are ready to open accession talks.

Vintage whine

■ Veteran former interior minister Charles Pasqua, who is firmly on the right of France's ruling centre-right coalition, has been attacking suggestions of an age limit for politicians.

Pasqua, a youthful 70, has been backing 86-year old fellow Gaullist Charles Ehrmann, the oldest member of the national assembly, pipping by four days the Corsican patriarch Jean-Paul de Rocca-Serra, contrasting him with "some 50-year-old politicians who in view of their lack of qualities should be required to stand down." Surely he wasn't thinking of unpopular prime minister Alain Juppé, 51?

President Jacques Chirac recently reprimanded members of his party for attacks on socialist opponents: perhaps he should have advised them not to stab their own colleagues in the back either.

Tourist trap

■ The World Tourism Organisation meeting in Manila could hardly have got off to a worse start yesterday, when the Taiwanese delegation announced a boycott. Apparently the Philippine tourism department hadn't twigged that inviting Taipei was sure to upset China, which regards Taiwan as a renegade province.

China duly attacked the invitation and the Taiwanese said they were pulling out because of the fuss, complaining that the Chinese "should not have mingled politics with tourism".

Manila's relations with China are already somewhat cool after tiffs over the disputed Spratly islands and Scarborough shoal in the South China Sea. But President Fidel Ramos was his usual chirpy self when he welcomed delegates, describing tourism as "a celebration and a sharing of what we enjoy and take pride in".

The Financial Times

50 years ago

Appeal For Order In France
Paris, 22nd May. In the last 24 hours the situation in the provinces seems to have lost its critical character after the riots which had taken place at Dijon and Lyons, but incidents are still reported from several towns. The serious view was reflected to-day in the statement by M. Ramadier, the Prime Minister, in the course of his weekly Press conference, when he asked journalists to abstain from publishing sensational news which adds to the general unrest.

Italy's Search For Cabinet
Italy's search for a Cabinet continues without success. Signor Orlando, a prominent Liberal, told President de Nicola this evening that he could not continue his efforts for a new Government. Italy has now been without a Government since the resignation of Signore de Gasperi (Christian Democrat) ten days ago. On Monday, when it looked as if Signore Nitti, another Liberal, was going to be successful in forming a coalition Government, the Milan and Rome bourses showed a 20 per cent fall in industrials and foreign currencies, because a Government headed by Signore Nitti would have ensured a check on inflation. Now, however, all shares and currencies are rising again.

FINANCIAL TIMES
Friday May 23 1997

Italy clears way for Stet privatisation

By Robert Graham in Rome

The long-awaited sale of the Italian treasury's 62 per cent stake in Stet, the telecoms group, looks set to take place this autumn after more than three years of false starts.

The Italian parliament's upper house has cleared a significant hurdle to the sell-off by approving a law to set up a combined telecoms and television regulatory authority.

The law will now go to the lower house where it should be passed before the end of July thanks to a deal struck between the centre-left Prodi government and the right-wing opposition headed by Mr Silvio Berlusconi. Mediaset, the quoted television group that Mr Berlusconi controls, is likely to be one of the beneficiaries of new rules to liberalise the sector.

Until now hardliners in Reconstructed Communism (RC) have blocked the creation of a regulatory authority to delay Stet's privatisation. RC now seems willing to drop its objections in return for guarantees that the state will retain some control through a golden share mechanism.

Mr Antonio Maccanico, the posts and telecoms minister responsible for the law, said he expected the Stet sale to go ahead as planned in the autumn – probably in late October or early November.

Political hat-trick ....Page 2
Olivetti seeks investors ....Page 27

He also emphasised the momentous nature of the new legislation, which lays down rules on the ownership of television channels and paves the way for digital television and multimedia developments, including Stet's entry into the transmission of images.

The Prodi government originally planned to privatise Stet last autumn. Having delayed the sale, the treasury acquired the 62 per cent stake in Stet from IRI, the state holding company, for L14,500bn. It proceeded to merge Stet with Telecom Italia, its main operating company. The merger will be complete by mid-July.

Treasury officials have warned that failure to privatise Stet this year would almost certainly oblige them to separate Telecom Mobile Italia (Tim), the quoted mobile phone subsidiary, from the group and sell it on its own. This is because the treasury needs to recoup funds paid to IRI to purchase its Stet shares.

Yesterday Mediaset cautiously welcomed the outcome of more than two-and-a-half years of acrimonious political debate, set in motion by a 1994 constitutional court decision that threatened to remove at least one station and cut advertising revenues.

Mediaset will retain three terrestrial channels at least until mid-1998 and will then be able to switch one to satellite.

Dispute on plans to float Formula One racing

By John Griffiths in London

The planned flotation in July of the Formula One motor racing business became the subject of further dispute yesterday when it became clear that three leading teams were still fighting for changes in the terms of the flotation to give teams a bigger stake.

While City of London insiders close to the three teams insisted yesterday the dispute could delay the flotation, advisers to F1 promoter Mr Bernie Ecclestone were dismissing their opposition as "irrelevant", insisting that the teams had no formal claims to a shareholding in Formula One Holdings, the company into which F1's commercial activities are being grouped for the flotation.

The draft prospectus is expected to be sent to the London Stock Exchange in the next week or so, with publication due around the middle of July. A syndicate of underwriters has been formed for the flotation, including Mr Ecclestone's investment bank advisers Salomon Brothers, Warburg, Morgan Stanley, Merill Lynch, BZW and NatWest.

Last week, Mr Ecclestone and Salomon Brothers indicated to City analysts that no substantial obstacles remained to the flotation proceedings, implying also that an accord had been reached with reigning world champions Williams, McLaren International and the Tyrell team.

The prospectus for the flotation is expected to value F1 at \$2.4bn-\$3.2bn.

Under the broad outline given to analysts, about 50 per cent of Formula One Holdings, a new company grouping all F1-related commercial activities controlled by Mr Ecclestone, would be floated with the public, with all of the proceeds going to him.

The governing body of motor sport, the FIA, would be allocated 10 per cent and the top 10 teams collectively 10 per cent. The other 30 per cent would be retained by Mr Ecclestone, who is president of the Formula One Constructors Association.

The dissident teams are maintaining that the 10 per cent is not enough, and are also arguing for a larger share of the TV royalties which make up a large part of Formula One's revenues. The flotation promoters maintain, however, that there are no formal provisions under the agreement governing relationships and revenue-sharing among the teams and promoters.

However, there seemed little prospect of any early agreement yesterday.

THE LEX COLUMN

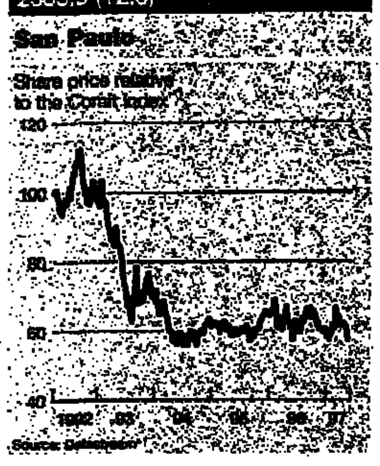
Kohld comfort

For the second time in 12 months, Chancellor Helmut Kohl has called on government, business and the trade unions to work together to boost jobs and productivity – this time in eastern Germany. But this particular horse bolted long ago. Eastern Germany priced itself out of the market in the early years after unification, when the politicians – led by Mr Kohl – gave in to popular demands for wage equality with the west, even though eastern productivity remained far adrift. As a result, while absolute wages are still somewhat lower than in western Germany, unit labour costs are at least a third higher and unemployment a crippling 17½ per cent.

Even worse, the government's lop-sided subsidies favoured the service sector to the point where little of eastern Germany's manufacturing base has survived. That remained hidden while government transfers of DM150bn (\$87bn) a year fuelled a housing and consumer boom. But now that those transfers have stopped expanding, so has the eastern economy – this year it is expected to grow more slowly than the west for the first time since unification.

Will Mr Kohl's belated call for action do any good? The idea of loosening national collective pay bargaining is sensible. But it just mirrors changes on the ground: nearly two-thirds of east German employers already set pay locally to cut wage costs. If he really wants to make a difference, Mr Kohl should extend his reforms to the ossified labour market in the west.

FTSE Eurotrack 200:
2383.5 (+2.8)



San Paolo

San Paolo, Italy's largest bank, wants us to believe it has undergone a conversion almost as dramatic as that of its namesake. When it last offered shares, in 1992, it promised restructuring as it shook off the chains of public ownership. It has delivered a 13 per cent absolute decline in its share price. But the same management team claims it will be different this time.

And there is a good chance it will. After the up-coming share sale, the controlling charitable foundation will have only 5 per cent of the vote. And the foundation comprises plenty of politicians whose interests conflict with those of minority shareholders. The management has cleaned up the balance sheet, improved credit scoring systems and reduced staff levels. It has also successfully built up fund management and life assurance businesses. Finally, the government is committed to strengthening a banking sector held back by numerous structural flaws – too many banks, over-staffing and excessive taxes.

Credito Italiano has shown the share price rewards achievable by a bank that commits to change. And while San Paolo has set less ambitious targets, it is moving in the same direction. But it still has high exposure to a moribund Italian property market, and interest margins across the sector are under considerable pressure. Furthermore, appetite for bank shares will be tested by a Banco Ambrosiano Veneto capital increase. But at a price of close to L10,000, the offer would be good value.

UK competition policy

Sometimes in politics, symbolism counts more than substance. The first big decision by Mrs Margaret Beckett, Britain's new trade minister – to overrule the Office of Fair Trading's advice and despatch National Express to the Monopolies and Mergers Commission – looks a classic case.

Logical it is not. Sure, National Express' acquisition of ScotRail raises real competition questions. But the OFT was already proposing to address these by forcing National Express to sell its Scottish coach business – so quite what else the MMC is to look at is a mystery. Much the same is true of Central Trains. National Express does have a big bus business in the West Midlands, but since the local passenger authority fixes train times and fares it is difficult to see how National Express could fleece passengers.

These points are hardly likely to escape the MMC. And its previous conclusions on a similar case – National Express' acquisition of Midland Mainline – were strikingly soft. So getting the MMC to look at these latest deals will almost certainly prove pointless. Mrs Beckett gets to look tough, at no practical cost other than a tedious summer for the company.

The real mystery lies in the stock market's overreaction. Even in the very worst case – that National Express is deprived of both franchises – yesterday's 5½ per cent drop in the shares would not be justified. This speaks volumes about investors' ill-defined jumpiness over Labour and regulation.

Granada

Granada is taking a pot shot at fashion by opting to hold together such disparate businesses as television, TV rentals and hotels in a single company. And its defence looks reasonable. A demerger would destroy short-term value, through restructuring costs and a less efficient tax and debt structure. Yet it is hard to spot divisions that are suffering under the unwieldy yoke of its corporate structure. In rentals, catering and motorway service stations, Granada achieves higher margins than its competitors. And all its operations have a high degree of autonomy, with top management setting exacting targets and corresponding rewards.

Nor is there a compelling valuation argument for splitting the media and leisure businesses. The mature rentals business would depress the rating of either company. And since it generates around £110m (\$178m) of profits but would fetch only £700m or so, a disposal would substantially dilute earnings and cashflow. Granada's discount to break-up value could be narrowed by selling more non-core businesses – or even Meridien hotels – and providing a clearer vision of the value that can be created from building up the media business.

Over time, a break-up is likely to become a more persuasive option, given the absence of synergies between the two halves. And Granada needs to ensure that it has a structure which will facilitate such a move. But Hanson has demonstrated that demergers do not automatically create shareholder value.

Additional Lex on Storehouse, Page 30

Row threat to summit

Continued from Page 1

anti-dumping duties on unbleached cotton from China, Egypt, India, Indonesia, Pakistan and Turkey into definitive penalties.

Sir Leon Brittan, EU trade commissioner, initially proposed imposing penalties for five years, with a review clause but the measures were blocked.

A Commission compromise emerged – after contacts between Brussels, Bonn and Paris – to impose duties for one year only.

But the free-trade-minded German economics ministry intervened to instruct the German representative to vote against the compromise, thus killing it.

"The result was pandemonium in Paris," said one Commission official. Officials in Brussels confirmed that President Chirac raised the matter with Chancellor Helmut Kohl of Germany at this week's bilateral summit, in an attempt to reverse the vote.

Airline deal

Continued from Page 1

preliminary recommendation from the British Office of Fair Trading that BA-AA should cede 168 slots as inadequate.

Other concerns focused on the effect of combining the two airlines' frequent flyer programmes and computer reservation systems.

Mrs Beckett is awaiting a report from the director-general of fair trading before deciding whether the deal can go ahead.

Yeltsin removes his defence chiefs in bid to speed reform

By John Thornhill in Moscow

Mr Boris Yeltsin, Russia's president, yesterday fired the country's two top defence chiefs, saying he was "indignant" over the state of the armed forces and wanted speedier reforms.

In another reassertion of his authority, Mr Yeltsin sacked Mr Igor Rodionov, defence minister, and General Victor Samsonov, head of the general staff, saying they were doing nothing to implement improvements to the military.

Mr Yeltsin was said to be so incensed by information he received about the army's failure to introduce reforms that he sacked both men on the spot during a defence council meeting.

"I have a very low assessment of your work in this direction. I am not satisfied and I must make the obvious conclusions," he said as he dismissed them.

Mr Yeltsin has demanded that the conscript army of 1.7m should be transformed into a smaller professional force by the end of the decade. The general staff has argued that this is impossible without additional funds.

But the president, who has been politically rejuvenated since recovering from a heart bypass operation last year, attacked what he described as the corruption corroding the top brass, which has resulted in generals living in luxury while conscripts starved.

"We have reached the point when we are short of spoons and plates but the number of servicemen and the number of generals is stubbornly not being cut," Mr Yeltsin said.

The removal of the two men appears to be a victory for the reformist wing of the government, which has been trying to exert more control over how the military spends its budget.

Significantly, three prominent reformers, including the two first deputy prime ministers, Mr Anatoly Chubais and Mr Boris Nemtsov, were yesterday appointed to the defence council, which oversees military reform.

General Igor Sergeyev, the commander of the strategic rocket forces, was appointed as acting defence minister, but is not expected to hold the job for long.

General Victor Chechevatov, commander of the far eastern military district, now heads the general staff.

Mr Sergei Yushenkov, a liberal MP who has long argued for greater civilian control over the military, welcomed the dismissal of Mr Rodionov, suggesting that the much-needed reforms might now get under way.

But nationalist politicians reacted angrily to the sacking of Mr Rodionov, who had only been in the job since last July.

Mr Alexander Lebed, the former secretary of the security council, who strongly backed Mr Rodionov's appointment as defence minister, said the dismissals were unjustified and would hinder reform.

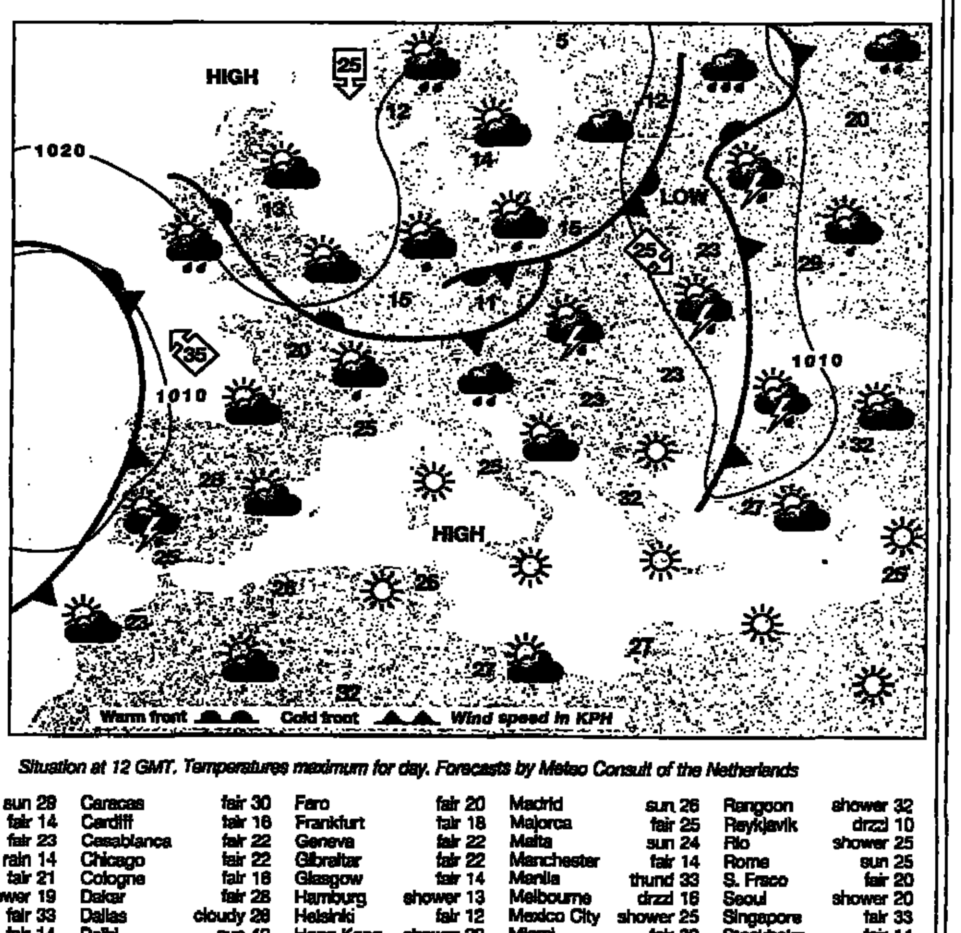
FT WEATHER GUIDE

Europe today

Eastern parts of the British Isles and the Benelux will be cloudy with outbreaks of sun. The UK will also be cloudy in the west, with occasional showers. Sunny spells are expected in north France and south Germany, but light rain is also likely. South France and most of Spain will be cloudy and dry, but west Spain and Portugal will have rain and thundery showers. Showers are also expected in the Alpine countries. North Italy will be dry with sunny periods, while south Italy and Greece will be fine. The Balkans will be cloudy with outbreaks of sun.

Five-day forecast

High pressure will keep plenty of sun in the British Isles. Low pressure over the Atlantic will bring more rain and thundery showers to the Iberian peninsula, but it is not expected to move further into Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

City		City		City		City		City		City	
Abu Dhabi	sun 38	Beijing	sun 29	Caracas	fair 30	Faro	fair 20	Madrid	sun 26	Rangoon	shower 32
Accra	fair 31	Belfast	fair 14	Cardiff	fair 16	Frankfurt	fair 18	Majorca	fair 25	Reykjavik	drzzl 10
Algiers	fair 26	Belgrade	fair 23	Casablanca	fair 22	Geneva	fair 22	Malta	sun 24	Rio	shower 25
Amsterdam	fair 14	Berlin	rain 14	Chicago	fair 22	Gibraltar	fair 22	Manchester	fair 14	Rome	sun 25
Athens	sun 28	Bermuda	fair 21	Cologne	fair 18	Glasgow	fair 14	Manila	thund 33	S. Frsco	fair 20
Atlanta	fair 26	Bogota	shower 19	Dakar	fair 28	Hamburg	shower 13	Melbourne	drzzl 18	Seoul	shower 20
B. Aires	fair 14	Bombay	sun 28	Dallas	cloudy 28	Helsinki	fair 12	Mexico City	shower 25	Singapore	fair 33
B.ham	fair 14	Brussels	fair 14	Delhi	sun 40	Hong Kong	shower 29	Miami	fair 30	Stockholm	fair 14
Bangkok	fair 36	Budapest	thund 20	Dubai	sun 41	Honolulu	sun 29	Milan	fair 21	Strasbourg	shower 19
Barcelona	fair 22	C.hagen	fair 12	Dublin	shower 14	Istanbul	fair 20	Montreal	fair 15	Sydney	shower 18
		Cairo	sun 35	Dubrovnik	fair 23	Jakarta	fair 31	Moscow	rain 20	Tangier	fair 23
		Cape Town	fair 20	Edinburgh	fair 12	Jersey	cloudy 13	Munich	shower 19	Tel Aviv	sun 29
						Karachi	fair 37	Nairobi	fair 26	Tokyo	shower 19
						Kuwait	fair 39	Naples	sun 23	Toronto	fair 16
						L. Angeles	fair 23	Nassau	fair 30	Vancouver	cloudy 18
						Las Palmas	fair 26	New York	fair 20	Venice	fair 21
						Lima	fair 25	Nice	fair 23	Vienna	fair 18
						Lisbon	thund 21	Nicosia	fair 32	Warsaw	shower 16
						London	fair 16	Oslo	fair 14	Washington	sun 22
						Lux.bourg	fair 16	Paris	cloudy 18	Wellington	shower 14
						Lyon	fair 23	Perth	shower 20	Winnipeg	shower 17
						Madeira	fair 20	Prague	shower 15	Zurich	fair 17

INTERNATIONAL CAPITAL MARKETS

There is a consensus that any setback will not hold back the growth of capital markets, says **Richard Lapper**

Bull run falters as rates sting hurts

The bankers, fund managers and traders who make their living in the world's capital markets have enjoyed a good run over the past 18 months. A combination of tight fiscal policy and relatively loose monetary conditions in the developed world has helped create ample liquidity, ensuring a strong flow of funds into bond and equity markets.

And, although interest rates in some economies are now expected to rise – following a quarter of a percentage point rise in the US Federal Reserve's short-term rate in March – any negative impact of monetary tightening should be offset by long-term trends such as privatisation, deregulation and rapid technological change which are dampening underlying inflationary pressure and ensuring continued growth in the demand for, and supply of, securities.

"The economic cycle has been running in favour of capital markets," says Mr Paul Abberley, head of fixed income at Lombard Odier, the London-based fund manager. "The cycle will now change but structural changes are reducing inflation and that should work for the markets."

Last year net issuance of international bonds increased to $512.4bn, compared with $313bn in 1995. And the pattern has continued this year, with gross issuance rising by almost 10 per cent to $204.3bn in the first quarter, according to figures from Capital Data Bondware. New issues of shares on international markets rose even more strongly, with the supply of stock fuelled by growing enthusiasm for privatisation, especially in Europe, where investors flocked to buy equities in companies such as Deutsche Telekom and Italy's ENI.

If international secondary offers and bought deals are included, overall issuance climbed by more than 55 per cent to some $81.4bn, its highest annual level, compared with $52.6bn in 1995. Abundant funds have also been available on the syndicated loan market, where banks have been flush with cash and eager to lend. Loan volume reached $523.7bn in 1996, an increase of 69 per cent on the 1995 figure, according to figures published by the Bank for International Settlements.

Secondary stock and bond markets were knocked by the US interest rate action in March, but share prices are still either at or near their all-time highs. Yields in the main government bond markets are still close to their historic lows and their decline has led many institutional investors to target markets offering higher returns. In Europe, governments – such as Italy and Spain – which have reduced inflation and debt levels in line with efforts to meet the Maastricht criteria for European economic and monetary union (Emu), have been notable beneficiaries of this "hunt for yield", as the yield on Italian 10-year bonds fell from 10.7 per cent at the beginning of 1996 to 7.2 per cent in mid-May this year.

In addition, institutional interest in other classes of assets, such as US speculative grade corporate debt and bonds issued by borrowers from Latin America, eastern Europe and Asia, has also grown strongly.

In 1996, emerging market borrowers raised more than three times more money on the bond markets than in the previous year, with net issuance rising to $93.2bn, compared with $28.3bn in 1995, according to figures published by the Bank for International Settlements. Dealers in the euromarkets have seen a string of borrowers either coming to the market for the first time or returning after long absences. Borrowers such as Argentina and Mexico have been able to issue bonds with 20- and 30-year maturities, while in the past 12 months the market has seen Russia issue its first bonds since the 1917 Revolution. International investors are for the first time beginning to buy debt denominated in Russian roubles, Philippine pesos and other local emerging market currencies. This pattern has been repeated in the syndicated loan market, where some eastern European borrowers are able to obtain funds at rates only fractionally more expensive than those available to the most creditworthy European and US companies.

The hunt for higher yield by investors and banks has also spurred interest in structured financial deals and project finance. Securitisation – the conversion of pools of assets or cash flows into tradeable instruments – is a growth area for investment banks with 34 per cent of all net international bond issues structured as asset-backed securities during 1996. Banks are keener to lend money to projects such as power stations and roads, but the backers of such infrastructure projects have also been able to raise more money on the capital markets, especially from US insurance companies and other institutions.

However, a shift in the world's monetary climate could begin to curb this enthusiasm for yield and risk. Certainly, as quicker economic growth in a number of countries revives concerns about rising labour costs and higher commodity prices, interest rate rises will be on the agenda. Following the Fed's increase in the key short-term interest rate at the end of March, further monetary tightening by the US authorities is likely. Analysts at CrossBorder Capital, the investment advisers, reported this month that 56 per cent of the world's central banks were currently running loose monetary policies, compared with a recent peak of 60 per cent. In Europe, the new UK government increased interest rates earlier this month and, while rises are not immediately expected elsewhere, most analysts accept that in the core European economies – grouped around Germany and France – rates have bottomed out.

Already there have been some signs that the prospect of further tightening has had an impact on the capital markets. In the secondary markets, US and European equity prices dipped sharply in early April. In the same month the issue of new international equity fell to $3.5bn compared with $4.2bn in the same month of the previous year.

And although issuance in the primary bond markets is showing little sign of any let-up, dealers report that investors are beginning to take a more defensive approach and are favouring shorter-dated and floating rate issues. A rise in Japanese rates could have particularly damaging consequences, because capital flows from Japan – though some way below their peak of the late 1980s – have contributed heavily to the rise in investor demand for shares and bonds. With yields in the Japanese market at historically low levels, both institutional and retail investors have been more prepared to shift money overseas. In addition, many professional international investors, who have borrowed heavily at low Japanese rates in order to invest in US and European markets, could be forced to unwind their positions.

However, bankers expect the downturn to be milder than in 1994, when Fed rate rises led to a rout in global bond markets. This is partly because investors have been more careful about the use of derivatives to gear up their exposures. And, there is a widespread consensus that any setback will not hold back the growth of the market stemming from secular economic and social changes.

Mr Michael Hughes, global strategist at BZW, the investment banking arm of Barclays Bank, says that the introduction of new technologies in the US is increasing productivity in many industries and leading to a gradual shift in the long-term outlook for inflation. "The jury is still out about whether there has been a structural change in the US, but consumer price inflation has certainly been far less of a problem than many people expected a year ago."

"Liberalisation is keeping inflation in check. Although there will be corrections and periods when the markets get carried away these will be mere blips when judged against the long-term trend," adds Mr Mark Cliffe, chief international economist at HSBC Markets in London.

GOVERNMENT BOND MARKETS • by Michael Lindemann

Opportunity knocks less often

Spreads are likely to decline as Emu nears and become virtually flat at take-off in 1999

During 1996, European convergence trades offered investors some of the best returns available from any market in the world.

Yields on Italian bonds fell from around 10.71 per cent at the beginning of January to 7.59 per cent on December 30. Spanish bonds declined from about 9.57 per cent to 6.85 per cent over the same period.

Changes of that magnitude, however, suggest that in 1997 convergence trades will not offer the type of opportunities that were available last year.

"Most of the ground has been covered," says Mr Adam Chester, international bond strategist at Yamaichi International, "although there are still some opportunities in Italy, Spain and Portugal."

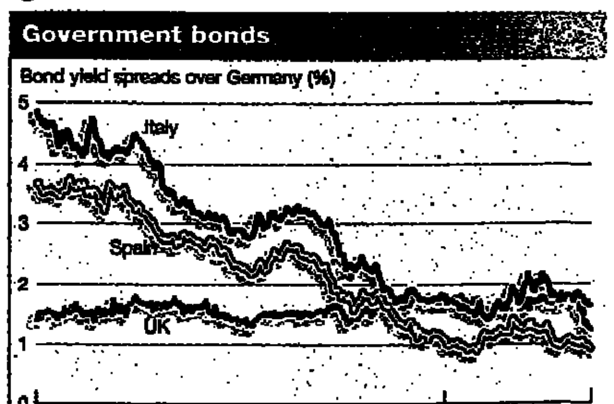
The table suggests that spreads will decline gradually as European economic and monetary union (Emu) nears and will flatten once it takes off on January 1, 1999.

Whatever spreads persist after that are likely to be determined by several factors including the credit rating of the various participating countries, the liquidity of the bonds and whether or not they have benchmark status, Yamaichi says.

However, with analysts suggesting that convergence for Italian and Spanish bond markets is closer, several other countries are now seeking convergence opportunities.

One such country is the UK after the the Labour party's election victory. Virtual independence for the Bank of England and a more constructive approach to Europe by the Labour government have sparked speculation among bond market analysts that the UK might make it into Emu before 2002, the earliest entry date suggested by Mr Robin Cook, the UK's new foreign secretary.

Government bonds



Source: Datastream

More intriguing were comments by Mr Gordon Brown, the UK chancellor of the exchequer, during his first post-election visit to Brussels. He suggested sterling did not need to be in the exchange rate mechanism for two years before becoming a fully-fledged member of the single currency.

Although Mr Theo Waigel, Germany's finance minister, quickly dismissed Mr Brown's comments, their meaning, analysts said, suggested that the UK was regarded as a much more likely first-wave Emu candidate than it had been a month ago.

As a result, Mr Huw Roberts, European bond strategist at NatWest Markets, suggests the gilts/bund yield spread – which has tumbled from 184 basis points to around 138 basis points over the past month – will fall to around 120 basis points by year-end.

Mr Julian Jessop, chief European economist at Nikko Securities, suggests it could tighten further still. He forecast a spread of 100 basis points by December. "It's a trade that has further to run," he says.

Although many bond strategists agree that much progress has been made on Spanish and Italian convergence, opinions remain mixed about their fates.

What seems increasingly clear, Mr Roberts points out, is that the two countries cannot now be lumped together in the basket in which they were in last year.

While both have made "dramatic improvements" in terms of meeting the economic criteria needed for Emu, Mr Roberts argues that Spain is definitely the front-runner for single currency membership.

"There is now an expectation that Spain will definitely make it whereas in Italy it is very much a political decision," he said. "It's very difficult to get bullied up about ongoing convergence trades."

One bond trader underlines the progress Spain has made. "If you look at the five-year spread in five years' time it's just 38 basis points," she said. "Essentially, Spain has converged."

Not all are so optimistic. Mr Jessop argues that Italy will "certainly" be excluded from the first wave of Emu and Spain "probably". As a result fiscal discipline in both countries is likely to slip and the yield spreads over bunds could widen again.

Ms Sharda Persaud, senior economist at San Paolo Bank, is more confident about Italy's prospects. She argues that "the market is underestimating the chance of Italy being in the single currency in the first wave". As a result, the BTP/bund yield spread, currently at around 160 basis points, is likely to fall to around 130 basis points by the year-end.

"There is a tremendous amount of government determination. What is more the Italian public are among the most pro-Emu anywhere in Europe," adds Ms Persaud.

And, she says, if Italy's entry is detailed it may be only for a period of between six months and one year. "Even if Italy enters in only a year that is still fairly positive for the market. There is still good news to be priced in."

Further evidence of Italy's chances have been trickling out of the recent talks between Mr Helmut Kohl, Germany's chancellor, and Mr Romano Prodi, Italy's prime minister.

Indications are, Ms Persaud says, that Germany is concerned only that Italy should start tackling its structural problems such as pension reform to ensure that the progress it has made recently is sustainable. "The Germans are not that worried about Italy's Maastricht indicators themselves," she says.

If there is some chance that convergence trades are still alive in Italy and Spain, analysts also point out that other markets beyond western Europe offer even betterprospects.

Greece, which currently has a yield of around 8.5 per cent, is regarded as one of the next convergence candidates as are markets in eastern Europe where many financial institutions are rushing to set up offices.

"Those are becoming the high-yielding markets," says Mr Chester of Yamaichi, "and are likely to provide many of the alternative investment vehicles for which investors are already looking."

Post-Emu spread and rating expectations

Country*	Current Rating**	Current Spread (bp)***	Current Rating**	Normal spread (bp)***
Germany*	[illegible]	[illegible]	[illegible]	[illegible]
France	Aaa	-8	Aaa	-10/Flat
Belgium*	[illegible]	[illegible]	[illegible]	[illegible]
Austria	Aaa	+3	Aaa	-5/+5
Netherlands*	[illegible]	[illegible]	[illegible]	[illegible]
Finland	Aa1	+45	Aaa	Flat/+10
Luxembourg*	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	Aa1	+78	Aaa	+10/+20
Italy*	[illegible]	[illegible]	[illegible]	[illegible]
Spain	Aa2	+105	Aa1	+10/+20
Portugal*	[illegible]	[illegible]	[illegible]	[illegible]
UK	Aaa	+140	Aaa	+10/Flat

*Emu contenders **Moody's Foreign Currency Rating ***Spread to Germany
Source: Yamaichi

SYNDICATED LOANS • by Edward Luce

Spreads have a one-way ticket

High liquidity and tough competition will ensure that margins remain tight

Syndicate loan managers are not having an easy time. After three years of increasingly fierce competition, margins on loans have been cut closer to the bone than most managers expected.

Spreads on loans to emerging market banks and sub-investment grade European companies have been compressed to unheard-of lows. Commonsense would suggest a market change of direction. Yet – for the most part – the trend appears to be stubbornly one-way.

"It's a bit like the UK mortgage market," explained one syndicate loan manager in London. "When interest rates go up, your mortgage goes up immediately. But when they fall it takes ages for your mortgage to respond. Syndicated loans are the same, except it's the other way round."

Despite the recent rise in US interest rates, syndicated loan managers are not expecting spreads in the syndicated loan market to rise in sympathy. High levels of liquidity and tough competition for new business will ensure that margins remain tight. Only a recession or a dramatic failure would haul margins back to "reasonable levels" they say.

Mr Grant Johnson, head of syndicated loans at NatWest Markets in London, said that prices have compressed dramatically in the last two years: "The price differential between top investment grade and second tier borrowers in Europe is not as great as it should be," he said.

With spreads on Czech and Hungarian loans tightening by more than 150 basis points in the past 18 months, officials make the same point about most emerging market borrowers.

On a recent $250m loan arranged by BZW, Dresdner and UBS, Kommercni Banka – the largest commercial bank in the Czech Republic – negotiated a spread of just 20 basis points over Libor for the first three years of the loan. This reduced Kommercni Banka's cost of borrowing to within a few basis points of the most highly-rated European corporations. Yet just two years ago the same bank was paying a margin of more than 100 basis points on its syndicated debt.

Mr Graham Franklin, head of syndicated loans at Sanwa International in London, says that the trend is spreading to other emerging markets. Although the business generated by emerging market borrowers amounts to a small fraction of the total euromarket pie, competition tends to be hotter. This is because banks are keen to win mandates in the newer markets where there are fewer sentiments about relationship banking.

"In the Baltic republics we've seen spreads fall by more than 100 basis points in the last year," said Mr Franklin. "Not a great deal has altered in terms of credit risk, currency stability or in the economy to justify such a big movement. Most of it is down to the growing intensity of the competition."

In South Africa, where Standard Bank recently negotiated to pay 20 basis points over Libor for a $250m one-year loan, lenders believe that the nadir has been reached.

Only in the less established emerging markets, such as Russia, Romania and Pakistan, can bankers negotiate spreads at old-fashioned levels. Recent loans to Russian corporations have come with margins of around 400 basis points over Libor.

"Pricing in the blue-chip corporate sector is basically bumping along the bottom," said Mr Sean Boylan, a director at BZW. "But we are still likely to see further tightening in some emerging markets."

Conversely, bankers expect to see some widening in the mergers and acquisitions sector. ICI's $8bn acquisition of Unilever's speciality chemicals business last month resulted in one of the largest euromarket loans in history. Arranged by Goldman Sachs, Midland Bank and SBC Warburg, the $8.5bn loan broke new ground in the syndicated market.

ICI turned some heads by agreeing to pay an initial margin of 55 basis points over Libor which would fall to 40 basis points once it had reduced its debt interest burden. Although some expressed surprise at the width of the spread, most recognised it as a fair premium in the light of ICI's steep gearing ratio and the company's ambitious restructuring plans.

"This has reminded us that there are other deals out there in the market," said one banker.

Nevertheless, reports that British Telecom and MCI, the US telecoms giant, are negotiating a spread of about 15 basis points over Libor for a $10bn loan reminded bankers that the margin on the ICI loan is unlikely to be a regular feature of the A-rated market even for mergers or acquisitions.

Bankers say that the loan, which would be used to finance the launch of Concert, a joint venture between the two groups, demonstrated the power of international telecoms groups. ICI, by contrast, has a gearing ratio of more than 1,000 per cent.

A group of banks in London recently launched the Loan Markets Association with the object of establishing a secondary debt market. Officials involved say such a market would allow banks to manage their loan portfolios more efficiently. It will be at least 18 months before the market is up and running.

International syndicated credit facilities ($bn)

Announced, by nationality of borrower

Country	1994	1995	1996
Developed countries	**200.2**	**249.5**	**449.6**
Austria	0.2	0.1	–
Australia	8.0	5.8	12.2
Belgium	0.4	0.9	0.2
Canada	16.0	11.9	10.7
Cyprus	0.2	–	–
Denmark	0.5	1.2	0.3
Finland	0.6	3.3	5.9
France	6.2	12.2	16.0
Germany	1.4	13.0	6.7
Greece	2.4	1.6	1.6
Iceland	0.1	0.5	–
Ireland	3.2	2.8	1.7
Italy	3.7	15.2	7.1
Japan	1.3	0.7	2.5
Luxembourg	–	1.0	0.9
Netherlands	8.3	4.4	5.2
New Zealand	1.1	1.4	0.4
Norway	5.6	7.1	2.8
Portugal	2.2	2.9	–
South Africa	0.5	1.7	3.1
Spain	15.0	13.7	4.7
Sweden	13.4	10.5	6.3
Switzerland	3.3	2.5	1.6
Turkey	0.3	3.7	3.2
UK	34.2	54.6	60.9
US	72.1	76.3	294.7
Other	–	0.2	0.8
Offshore centres	**14.3**	**16.5**	**13.7**
Bahamas	–	0.2	–
Bahrain	0.6	0.9	0.3
Bermuda	–	1.7	–
Cayman Islands	–	0.6	–
Hong Kong	10.6	10.8	12.1
Netherlands Antilles	–	–	–
Singapore	3.1	1.9	0.9
Others	–	0.4	0.4
Eastern Europe	**2.2**	**4.5**	**6.8**
Bulgaria	–	–	–
Czechoslovakia*	0.5	1.0	2.8
Hungary	0.8	1.3	1.2
Poland	0.7	0.5	0.3
Soviet Union*	0.1	1.5	2.2
Other	0.1	0.1	0.3
Developing countries	**35.2**	**40.0**	**53.0**
Latin America	4.6	5.0	6.5
Argentina	1.7	1.4	1.3
Brazil	0.8	0.1	0.1
Chile	0.2	1.0	2.5
Colombia	0.3	0.5	0.8
Mexico	1.4	1.9	1.6
Trinidad/Tobago	–	–	–
Venezuela	0.2	–	0.1
Middle East	0.2	0.9	2.3
Israel	–	0.1	0.9
Kuwait	–	–	1.2
Saudi Arabia	0.2	0.8	0.3
Africa	–	–	–
Algeria	–	–	–
Niger	–	–	–
Asia	26.6	30.0	39.2
China	5.1	5.1	7.0
India	0.7	1.9	2.5
Indonesia	9.8	9.7	9.9
Korea South	1.9	5.5	9.6
Malaysia	2.1	1.1	1.9
Philippines	–	0.3	0.5
Taiwan	1.0	1.0	2.2
Thailand	6.0	5.3	5.5
Other developing countries	3.8	4.0	5.1
International institutions	–	0.4	0.6
All countries	**252.0**	**310.8**	**523.7**

Source: Bank for International Settlements * Is former

International bond markets

Brisk start to issuance

The US dollar continues to be the favourite currency of borrowers

Bankers were surprised that issuance volumes in the first few months of the year surpassed the record set in 1996.

More than $200bn of international bonds were issued in the first quarter of 1997, up almost 10 per cent from the $186.6bn launched over the same period a year ago. And primary market activity last month was also up from April 1996.

"Last year was the best ever for the primary market," said a syndicate manager at a large US bank in London. "Nobody was expecting 1997 to be as active. The briskness of activity has surprised us all. There is a strong chance that 1997 will set a new all-time high."

More surprisingly, the rise in issuance occurred in spite of a significant decline in borrowing by European sovereign states, which have been reducing their deficits and putting their finances in order in the run-up to European economic and monetary union (Emu). The shortfall, however, was promptly filled by financial institutions and borrowers from the emerging markets.

"There has been an impressive preponderance of German financial institutions," said one banker. "This year they have supplanted European sovereigns."

Corporate issuance of high-yielding debt with low credit ratings was also singled out as one of the most promising new trends in Europe. In the US this type of instrument accounted for almost 40 per cent of total corporate issuance in the first quarter of the year, according to Standard&Poor's, the credit rating agency. And analysts have high hopes that this trend will develop in Europe.

"The most interesting new trend in the market is the gradual increase in credit diversity," says Mr Manfred Schepers, at SBC Warburg.

In the past two months several issues of high-yield bonds have been launched in D-Marks and sterling. Total issuance in European currencies is expected to reach the equivalent of $1bn this year and possibly double this amount in 1998. Bankers believe the total size of the market will grow to between $20bn and $30bn as the sector matures.

"Investors in Europe are preparing for the single currency," Mr Schepers says. "Relying on currency fluctuations to boost investment returns will not be viable in the long term. As long as Emu remains on track, diversification will focus on credit rather than on currencies. As a result, banks are eager to develop their capacity to analyse credit."

One trader said: "If I were to be reincarnated, I would choose to be a credit analyst."

The US dollar continues to be the favourite currency of borrowers. In the first quarter, its market share rose to more than 40 per cent, against 35 per cent in the first three months of 1996. But fears of further rate rises by the US Federal Reserve have skewed investor demand towards more

Continued on page 4

EQUITIES • by Michael Lindemann

Europe sets the pace for IPOs

With stock markets continuing to advance, 1997 may be another landmark year

The prospect of tighter monetary policy in the US and other developed markets seems to have had little impact so far on the international new equity issue market.

Although volumes dipped last month, activity is running close to last year's record level and longer-term trends – including privatisation, growing demands for capital in the developing world and buoyant institutional and retail demand for shares – augur well for the health of one of the most rapidly growing sectors of the international capital market.

Last year overall issuance increased by more than 50 per cent to reach $81.4bn, compared to only $52.6bn in 1995, according to figures published by Capital Data Bondware. This year the pace of issuance has slackened only marginally. In April, new issues amounted to $3.5bn compared with $4.2bn in the same month of 1996. Nevertheless activity on average is running at a rate only marginally less than last year, with the volume of new issues reaching $26.5bn in the first 4½ months of 1997.

Several factors underpin the continued buoyancy in the market. First, many governments are selling assets, ensuring a healthy supply of new shares. Although the pace of privatisation-linked initial public offerings (IPOs) slowed in the first quarter with only one deal – a $1.7bn issue by Spain's Telefonica – the level of activity has picked up since.

Last month, for example, the Spanish government completed its sale of a fifth tranche of shares in Repsol, the oil and gas group, in a deal expected to contribute a further $940m towards the Spanish government's 1997 privatisation target of $9bn.

The Portuguese government expects to complete the sale of 25 per cent of Electricidade de Portugal next month. And the French government is expected to press ahead with the sale of a portion of France Telecom as soon as this month's general elections are out of the way. It is expected that up to 25 per cent of the company, which could be valued at between Fr150-200bn, will be sold.

The Italian government is expected to raise about $5bn in July when it launches the *sale of a third tranche of* ENI, the world's eighth largest oil company. There are also prospects that Germany may accelerate its plans to sell more of Deutsche Telekom, following its success last year in raising DM15bn, with the continent's biggest privatisation to date.

Moreover, the pace in Europe is unlikely to slow down. According to a report last year by Morgan Stanley, the US investment bank, western European governments are set to sell off assets worth between $250bn and $300bn over the next few years, more than doubling in nominal terms the amounts raised from privatisation since 1981.

The report says that the sale of shares in companies that are already partially in the private sector will generate $150bn. Sales of companies that are still wholly state-owned could produce a further $150bn.

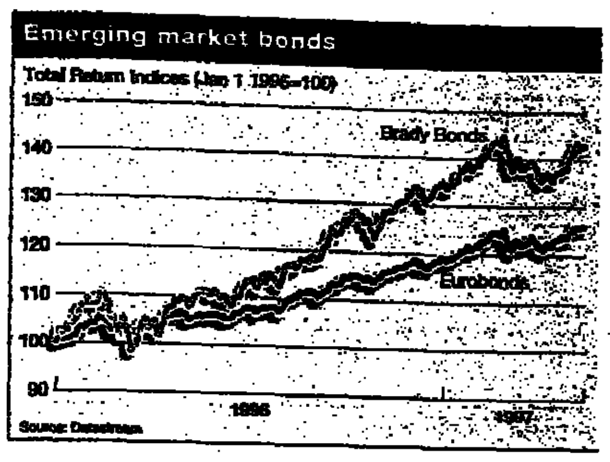
Elsewhere, governments in Latin America and eastern Europe also have ambitious privatisation programmes. Brazil began its programme with the sale of shares in CVRD, the giant mining group, in May, while eastern European governments are pushing ahead with plans to sell off stakes in companies such as Bank Handlowy, the state-owned former Polish foreign trade bank, KGHM, the Polish copper group, and MOL, the Hungarian oil and gas group.

Institutional investors from North America, Europe and Japan, who are continuing to diversify their investments internationally, provide the bedrock of demand. But one of the most notable features of the market, has been the growth of retail appetite in Europe. The Deutsche Telekom IPO last year revealed a wide interest in equities which German authorities previously thought was confined to the US and UK. About 2m Germans subscribed to the stock.

More recently, heavy Spanish retail demand for shares in Repsol and the interest of Portuguese savers in EdP has shown that this trend is extending to southern Europe. The retail portion of the fifth tranche in Repsol was oversubscribed 44 times, when the deal was completed last month. Shares in EdP are not due to start trading until June 17, but more than Es180bn (US$1.06bn) has been deposited in special bank accounts designed for small savers who want to buy the stock.

At the same time there is little sign yet of any let-up in competition between investment banks to win the mandates to place shares of these companies in international markets. Competition has been particularly fierce in the emerging markets in Latin America, where commission rates for global coordination mandates have recently fallen below 2 per cent.

In January four banks – SBC Warburg, JP Morgan, Lehman Brothers and Morgan Stanley – won the mandate to place shares in Unibanco, for just 1.5 per cent of the amount raised. Credit Suisse First Boston recently bid only 1.15 per cent for the $300m IPO later this year of Petrobras, the oil and gas group.



EMERGING MARKETS • by Edward Luce

Bradys lose a little of their glitter

US interest rates are likely to dictate the course of emerging market debt

Bond analysts are confident that 1997 will mark a turning point for emerging market debt. Just three years after the unexpected rise in US interest rates triggered a nose dive in emerging market bonds, economists are saying swings of that magnitude are unlikely to recur. Even the chairman of the US Federal Reserve, Mr Alan Greenspan, said recently that 1997 would not be a repeat performance of 1994.

"There are some basic differences between now and 1994," said Mr Peter West, director of emerging markets research at WestMerchant bank. "Investors in emerging market debt are much less highly leveraged now than they were in 1994. The economic fundamentals of most Latin American and east European countries has greatly improved since 1994. And, perhaps most importantly, emerging market bonds have become a much more mainstream asset class than before. Some people think the market is even becoming a little bit dull."

Several decades of economic growth lie in front of emerging market economies before their bonds can rival German bonds in the tedium stakes. Bond experts, nevertheless, argue that emerging market debt has reached a new level of maturity. Almost two thirds of the slippage in emerging market bond prices since February 25 had been regained by May despite the fact that US interest rates had risen by a quarter of a point. Although markets can never fully discount events in advance, few expect emerging market bonds to be hit badly the next time Mr Greenspan tightens monetary policy.

The outlook for emerging market debt is therefore considered more stable – and potentially less dramatic – than was previously the case. "There is much more differentiation now between emerging market economies," said Mr Niel Lockwood, an analyst at ANZ bank in London. "Investors are focusing a little bit more on credit quality and economic fundamentals than before. They are also concentrating more on the difference between emerging markets rather than the difference between emerging markets and other asset classes."

Few, as such, expect emerging market bonds to rally as impressively as they did in 1995 and 1996. Returns on Brady bonds – restructured debt collateralised by 30-year US Treasuries – hit almost 40 per cent last year according to most published indexes. The average spread over US Treasuries (with the collateral stripped out) plummeted from around 800 basis points to a spread of under 500 basis points. A repeat performance would be almost impossible.

Mr Richard Gray, chief emerging market economist at the Bank of America, says that a gentle resumption of last year's rally is probable in the third quarter of 1997. Although US, Japanese and German interest rates are expected to rise over the next 12 months, global liquidity is likely to remain strong. None of the leading economies is likely to raise interest rates to levels which would result in a global credit crunch said Mr Gray.

"The markets recognise that the US is nearing the peak of its interest rate cycle," he said. "Institutional investors have piled up heavy cash holdings, some of which will be re-invested in emerging markets once they are more certain of market conditions."

Mr John Stopford, high-yield investment manager at Guinness Flight, says that the market could go either way. On the one hand, emerging market debt still looks cheap against similar assets. For example, the average spread of B-rated US corporations over US Treasuries is about 380 basis points. This compares to a spread on emerging market Brady bonds – many of which have a BB rating – of more than 500 basis points. Likewise, BB-rated US junk bonds are trading at an average spread of about 220 basis points over Treasuries whereas BB Mexican corporate eurobonds are stuck at about 350 basis points over Treasuries. On these calculations, Bradys still have ample scope to tighten.

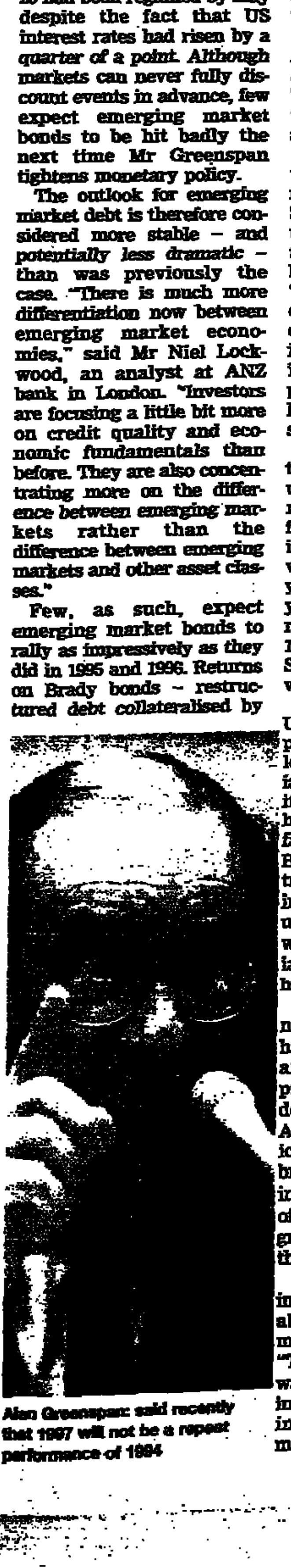
Yet there are also signs that the market could be nearing a peak, says Mr Stopford. "It is very difficult to put your finger on it but the market is beginning to look a bit 'toppy'," he said. "For example we are seeing completely new types of emerging market borrowers, including quite small municipalities and second-line corporations, come to the market. There is also a lot of speculative money around."

Bond strategists agree that the best response to the uncertainty over interest rates is to discriminate carefully between different credits. "In 1996 it didn't matter which Brady you chose, if you threw money at them you were bound to see high returns," said Mr West. "In 1997 it is a different story. Some Bradys have risen while others have fallen."

The election of Bulgaria's Union Democratic Front to power in April, for example, led to a mini rally in Bulgarian Bradys with the price of its bonds rising by almost half to 66 per cent of their face value. In the main Brady oil-producing countries by contrast, the decline in world oil prices since January has led to a sustained widening of spreads. Nigerian and Venezuelan Bradys have suffered accordingly.

Elsewhere, strong economic reform programmes have helped shield Russian and Argentine eurobond prices from the general downturn in the market. And in Ecuador, where political infighting threatened to bring down the government in February, the resumption of the economic reform programme has led to a surge in the price of its overseas debt.

"It is becoming increasingly difficult to generalise about the emerging debt market," said Mr Lockwood. "The best you can say is watch what happens to US interest rates and study the individual credits stories more closely."


Alan Greenspan: said recently that 1997 will not be a repeat performance of 1994

DERIVATIVES • by Laurie Morse

Traders turn credit risks into profits

Investment banks are increasing their business in equity derivatives

A surging international bond market, the growing popularity of securitisation, and a fundamental acceptance by banks and their customers that risk management is essential to sound capital management has boosted the volume of dealing in global derivatives over the past year. These developments have also fuelled the growth of new derivatives products.

Derivatives dealing has always been the science of disassembling risks and repackaging them for sale to parties either seeking higher yields or diverse exposures. End-users find that derivatives are a handy vehicle for asset allocation or for restructuring capital flows, because they are cheaper, faster, and more expedient than trading the underlying instruments.

The idea that market risk can be stripped away and traded found broad application with interest rate and currency derivatives. Now, as dealer margins on those products vanish, investment banks are increasing their business in equity derivatives, and are pioneering the use of derivatives to trade off credit risks.

Energy, traditionally a commodity market, is finding a home in financial dealing rooms because investment banks see broad opportunities for profits and innovation as the world's electricity sectors deregulate.

Since the derivatives scandals of 1994, the over-the-counter derivatives markets have undergone radical changes. There is now more agreement on how risks should be measured and how contracts should be valued. Standards for regulatory capital treatment for these diverse instruments are still being debated, but so far have not limited expansion. In the wake of the scandals several industry groups have subscribed to codes of best practices.

These infrastructural changes, however, do not account for the tremendous growth in the use of derivative instruments. While it is hard to measure all proprietary trades, the Bank for International Settlements pegged the underlying notional value from all types of derivatives, including listed futures and options, at $55,000bn at the end of 1996.

The International Swaps and Derivatives Association, the US-based trade group, estimates that the outstanding notional value of just three types of over-the-counter derivatives trades – interest rate swaps, currency swaps, and interest rate options – grew by 37.1 per cent in 1996 over 1995, to $24,300bn at year-end.

The shift toward OTC trading is unmistakable. Just five years ago derivatives were mainly the purview of listed futures and options exchanges, with a handful of the world's biggest investment banks experimenting with privately-structured swaps and OTC options. These days, the situation has been reversed, with growth in private deals far outstripping volume gains on futures exchanges.

Furthermore, OTC swaps dealing has become so standardised in sectors such as dollar-denominated interest rate transactions that banks are finding they can net their risks within their own books, reducing their need to use futures exchanges to lay off interest rate exposure.

Swaps Monitor, the US financial risk management newsletter, said that outstanding amounts of exchange-traded interest rate futures were 24 per cent of OTC interest rate derivatives at the end of 1996, a sharp drop from 31 per cent a year earlier, and 40 per cent at the end of the first quarter of 1995. The exchanges' share of all options trading also shrank, from 80 per cent in 1995 to just 48 per cent in 1996.

> There is now more agreement on how risks should be measured

Analysts say the growth in OTC derivatives trading is driven in part by technology. Pressure on investment banks to measure and manage risks better has required heavy investment in computing power and innovative financial modelling. With that technology in place, banks have a tighter read on their risks, which allows them to better leverage their capital.

Using these tools, and their experience in managing market risk, top-tier banks in the past two years have moved into credit derivatives. Still a relatively small segment of derivatives dealing, credit risk-management has provided an important service to clients who seek exposure in emerging markets, and those interested in asset swaps – two types of deals that are credit-driven.

Investment banks typically have specified caps on how much capital they can lend in any one country. Investment banks which wish to lend to corporations in a particular country often find themselves up against the country risk limits. Credit derivatives, which can spin off or hedge country default risk, are used to free credit lines and allow more loans to be written.

Similarly, if a bank has an existing loan with a foreign client in a country where default risk is rising, the bank may use a credit derivative to hedge the credit risk of the loan. This avoids having to terminate the investment and alienate a valued client, which can be worth the premium paid to do the swap.

The risk buyers in these circumstances are typically money managers or banks on the look-out for higher yields. Similarly, dealers doing asset swaps typically engage in "credit protection" trades that give some insurance against default.

The integration of derivatives deals – often options or other structures embedded in loans or equity issues – into mainstream financing has begun to be reflected in the organisational structure of some investment banks.

Bankers Trust for example, has recognised the synergies between its asset swap and credit derivatives groups – two business lines that historically have not overlapped – by putting them under the same umbrella.

By their nature, derivatives reflect the activity in their underlying securities. Dealers expect their growth to continue as international financing activities expand and diversify.

SECURITISATION • by Samer Iskandar

Investor appetite is still keen

Analysts are optimistic that the underlying trend is on a rising path

While growth in issuance continues at a lively pace, it is unlikely that this year's volume will exceed the record amount of asset-backed securities (ABS) launched in 1996.

The reason is that three one-off deals, accounting for a quarter of all primary market activity, pushed the amount of new issues in 1996 above the $100bn level – three times 1995's volume and more than 10 times the issuance in 1992. These were launched by EPFR ($8bn), the French state-backed entity set up to help rescue Crédit Lyonnais, GPA, which securitised $4bn of aircraft leases as part of a company-wide restructuring, and ROSE Funding, a $5bn securitisation of one third of the corporate loans portfolio of National Westminster Bank.

Such deals are unlikely to become recurring events, but analysts are optimistic that the underlying trend – excluding one-off transactions – is on a rising path.

"We should continue to see a steady increase in volumes," says Mr Karl Essig, head of international securitisation at Morgan Stanley. "Last year was exceptional because of large one-off deals, but these will be partly replaced by the emergence of new issuers from Latin America and Asia."

On the demand side at least, there seems to be more than enough investor appetite for new deals. This is in large part due to the fact that yields on ABSs are significantly higher than those of standard bonds with similar ratings.

"The sector offers a very favourable risk/reward profile," says a senior official at a US bank in London.

Supply, however, has in the past been constrained by the low availability of assets that lend themselves to securitisation. But this obstacle is gradually being eroded. "More banks are putting in place principal finance groups," says Mr Paul Taylor, London managing director of DCR, the credit rating agency. "Banks are increasingly finding assets and warehousing them with a view to securitising them."

Supply is also expected to come from corporate finance activity. In the US, securitisation has evolved into a viable and often cheaper alternative to bank loans when companies want to finance an acquisition. But this usage has yet to be transposed to Europe.

"This method of financing works best on a business with strong cash-flow and strong, easily quantifiable assets," says Mr Guy Hands, head of principal finance at Nomura International. "It would not suit brand-orientated companies with a large amount of goodwill."

In the UK, where the regulatory environment is more favourable for securitisation than in continental Europe, several acquisitions have been funded in this manner, usually involving consumer finance lenders or mortgage providers.

Project finance is another promising area. "There is likely to be an increase in the use of capital markets to fund private financing of projects," says Mr Essig, at Morgan Stanley. "Most private finance initiative (PFI) projects require long-term funds at fixed rates." The most recent transaction in this field was done by Autolink Concessionaires, a special project entity participating in the construction and maintenance of a 100km stretch of the M6 motorway between England and Scotland. The company raised £125m through a bond issue backed by receipts of shadow tolls from the road.

The geographical diversity of supply is also widening. "The industry is coming of age on a global basis," says Mr Taylor at DCR. "The use of new techniques has spread to Latin America and is moving to central Europe and Asia, where we are seeing new types of deals that did not exist two years ago."

Australia is another potential source of supply. Mortgage-backed securities have been traded in the domestic market for several years and issuers are gradually turning to the international market. "The market there is very similar to the US, with a constant flow of mortgage securitisations," says Mr Alexander Justham, vice-president for structured products at J.P. Morgan in London. "Issuers have the experience and with Puma's recent international transaction, they have started tapping this investor source."

In the UK even mortgage securitisations, now considered almost a commodity, are still seeing innovation.

SBC Warburg, for example, is working on an issue of bonds linked to UK house prices. The bonds will be backed by a new form of mortgage, launched late last year by Bank of Scotland. The bank is offering home owners a reduced or zero rate of interest in return for a share in any capital appreciation when the property is sold. Whereas the Bank of Scotland's innovation offers the lender a chance to participate in gains on house prices, SBC Warburg takes the concept one step further and offers the same opportunity to bond investors.

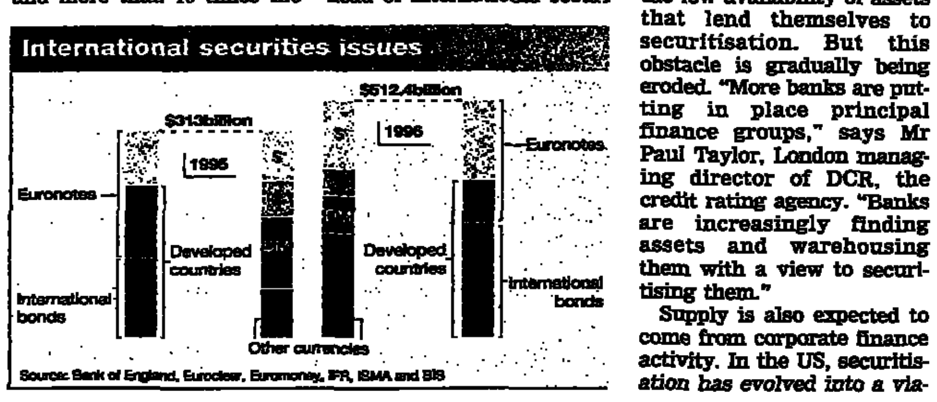
"In this structure, the capital markets allow us to liquefy the wealth of house owners," says Mr Craig Corn, a director at SBC Warburg.

The UK housing market is thought to have an aggregate value of about £1,200bn, greater than the UK's stock and bond markets. The aggregate amount of mortgages in the UK is estimated at £400bn.

"This market offers huge potential," Mr Corn says. "Securitising shared-appreciation mortgages is like privatising the biggest market in the UK – the housing market."

Karl Essig: large one-off deals made 1996 exceptional

International securities issues



Source: Bank of England, Euroclear, Euromoney, IFR, ISMA and BIS

Brisk start to issuance

Continued from page 2

defensive instruments, such as bonds with short maturities and floating rate notes.

From the standpoint of borrowers, the dollar has also offered favourable arbitrage opportunities, with advantageous swap rates reducing the all-in cost of borrowing.

"Bond issuance is becoming increasingly opportunistic," said a bond syndication manager. "Borrowers want to meet strict funding targets. They are willing to tap any sector that offers the best arbitrage."

This attitude has helped some peripheral markets to develop, such as the South African rand, the Czech koruna and the Italian lira.

"Do you think the European Investment Bank and the World Bank have specific needs in rand or koruna?" said the syndication manager. "Of course not. They only borrow there because swap rates are attractive."

Attractive swap rates were the main driving force behind issuance of 10-year French franc bonds – and 5-year D-Marks – last year. Several banks have taken advantage of this situation, raising long-term capital through issues of floating rate notes. Merrill Lynch, which arranged a perpetual issue for Banque Nationale de Paris in April, reported "tremendous investor appetite".

With arbitrage opportunities now removed, these sectors have barely seen any issuance in recent months.

> Preparations for Emu have also led to the emergence of new types of instruments

"Swaps now favour issuance in dollars with maturities of less than five years," says a syndicate manager. "Coincidentally, this is also the area where demand by retail investors is strongest. But there is no way of telling how long this will last or where supply will come from next."

Preparations for Emu have also led to the emergence of new types of instruments, such as so-called "parallel bonds" and securities denominated in euros, the planned single currency.

Euro-denominated bonds are in fact traded and settled in Ecus, the European currency unit, leading some bankers to dismiss the concept as just a gimmick to try to revive the Ecu market. Others, however, believe these securities offer advantages to investors.

"It is not a question of whether the concept is new," says one syndicate manager in London. "The fact is that euro-denominated bonds offer higher yields than French francs or D-Marks. They also remove re-denomination risk."

Re-denomination risk is the risk that the value of the euro, in which all bonds will be redeemed after Emu, will be lower than that of the European currency in which they are currently denominated.

The Ecu sector has benefited from this new trend, with issuance in the first quarter almost reaching the Ecu5bn barrier, three times the volume of the first quarter of 1996, propelling the sector ahead of the Spanish peseta and Dutch guilder.

Samer Iskandar

100-YEAR BONDS • by Christine Moir

Century fever may be on the wane

Issuers outside the US have found the market precarious in recent months

Seat-of-the-pants investors may question the value of so-called "century" bonds, which issuers do not have to repay for 100 years. First, how many companies issuing them today will still be around then? Second, why lock into low yields for the equivalent of eternity, with a guaranteed capital loss if they are off-loaded in the market when interest rates inevitably rise again?

The last big bout of century bonds was by railroad companies in the 1860s and 1870s. Almost none was still in existence at pay-back time. Nor could investors console themselves with a century of outstanding interest rate payments. Then, as now, companies issued 100-year debt because interest rates were low and little premium was demanded for such exceptionally long maturity.

Yet this commonsense approach is not shared by professional investors for whom portfolio theory is the guiding principle. They do not regard century bonds as "buy-and-hold" investments but as trading vehicles. What matters is how they perform in the market over a three- to six-month period, relative to other long-term debt instruments.

In those terms century bonds seem to prove little riskier than 30-year money – even 30-year US Treasury bonds. They tend to outperform on a rising market, but do not markedly underperform on a falling one. According to some professionals, such as Mr Joseph Mullaly, a portfolio manager with Travelers Insurance, not only do they "go up more in price as rates fall, [they] go down less in price as rates rise". There is even a name for this phenomenon: convexity.

To some, this recourse to portfolio theory is just an elaborate excuse for the desperate chase for higher yields. With interest rates now apparently on the rise again, the argument is that century bonds will soon fall out of the repertoire. Under those conditions investors will demand a wider spread over shorter-term debt than issuers will find attractive.

Another factor which could bring the American fashion for C-bonds to an end is the Clinton administration's proposal to end tax breaks on debt of more than 40 years' maturity. One of the attractions for US companies has been the tax relief available on the interest rates they must pay for the bonds. President Clinton now believes that really long-term debt is more akin to equity. As equity dividends are not tax deductible, the same should apply to coupons on C-bonds.

With this disadvantage a possibility for the next budget, recent US C-bond issuers have been building a tax factor into the coupon they are offering. With that proviso, however, top-rated US blue chips have been more than ready to issue C-bonds.

Last year, 40 US companies tapped the market in this instrument, compared with only six foreign companies. The most recent US offering this year was a US$500m issue by Ford in May. It sold at a tight spread of just 85 basis points over the yield on 30-year US Treasury bonds. In February, Caterpillar sold US$300m worth and J.C. Penney and Chrysler also tapped the market – all three after Mr Clinton's tax proposals.

> President Clinton's tax proposals may end the C-bond era

These successful issues, however, belie recent fragility in the market for US C-bonds. Some commentators called the end of the C-bond surge in early April when Noble Affiliates postponed its planned issue and Californian biotechnology group Amgen struggled to price a US$100m bond.

Among foreign issuers the market has been even more precarious in recent months. In January last year Tenaga, the state-owned Malaysian electricity utility, set the ball rolling for Asian C-bonds with a US$150m issue. It was priced at just 146 basis points above US 30-year T-bonds.

The spread widened for both the Chinese sovereign bond and the state-owned Korean Electric Power Corp issue which followed, until by the time of the first private Asian company issue this year, Reliance Industries of India had to pay a premium of 355 basis points.

"US investors want a premium for leaving the home market," says Mr Marc Tourangeau, a senior portfolio manager of First of America Investment Corp, Kalamazoo. "The longer the maturity, the greater the premium."

Some issues may not be attractive enough at any price. Between mid-April and early May the Philippines Central Bank first scaled down and then pulled a C-bond which had originally been expected to be for as much as US$750m. The bank had not needed to borrow; it was trying to set a benchmark. But global interest rates moved up and investor sentiment towards the Philippines cooled. The result was that the bank simply could not meet investors over price.

The bluest of blue chips in fully-developed markets – such as ABN Amro and Rupert Murdoch's News America which both offered C-bonds last year – may still be able to pull in the punters. But anything less attractive may be in trouble.

Investors who took up the US$200m bond by Endesa, Chile's largest private electricity generator, are feeling particularly sensitive. The bond was earmarked for the Pangue hydro-electricity project on the river Bio-bio. Shortly after it was launched the World Bank warned that the project might be in breach of the environmental pre-conditions it had laid down, especially about rehousing local Indians.

If nothing else, the warning highlighted how risky it is for investors to rely for their returns on a single project in the third world.

In any case it looks as if the global debt picture is changing and, with interest rates on the rise, C-bond fever will naturally abate. If so, it will reinforce the belief of C-bond sceptics that the appearance of such exotic instruments is a sure sign that the bull market has passed its peak.

US BONDS • by Tracy Corrigan

Junk bonds make a comeback

Companies are using the market for investment as well as for takeovers

The US domestic bond market spans an unrivalled variety of credits, structures and maturities. The large size of its investor base and the ability of US fund managers to assess credit have made the US market a magnet for issuers.

Of the various market segments, the largest – the US corporate bond market – is also the least interesting. Investment grade bond issues by US companies topped $500bn last year. Individual deals – such as a recent $4.3bn corporate bond for Norfolk Southern – can be extremely big. But the market is mature, and while its fortunes continue to ebb or flow along cyclical lines, there appears to be little scope for further evolution.

Two adjuncts of the US corporate bond market have meanwhile taken on a life of their own. One is the high-yield bond market. High-yield or junk bonds, once widely discredited as a symptom of the excesses of the 1980s, have made a comeback. Issuance of US domestic junk bonds totalled nearly $35bn last year, compared with less than $29bn in 1995. In the first quarter of 1997, high-yield volume was the highest ever proportion of the total corporate bond market, at 39 per cent, according to Standard & Poor's.

More significant, though, is the strong performance of the high-yield sector, which has drawn back investors who were burnt in the 1980s and attracted new adherents.

"The market has improved in credit quality," said Mr Randy Barker, co-head of global debt markets. "In the 80s it started out with smaller companies, and in the junk bond takeover craze many, although good on the asset side, were very thinly capitalised. In the 90s, there has been a more rational approach from both issuers and investors, with deals from larger, better capitalised companies and growth companies."

Creditworthiness generally has been improving, largely thanks to the strength of the US economy as well as companies' greater conservatism with regard to debt, and there has been a reduced rate of defaults. In the first quarter, for example, there were only four defaults of rated corporate debt of $556m, according to Standard & Poor's.

For companies, the market is increasingly being used as a means of raising funds for investment, as well as for takeovers. For example, telecommunications companies have been using junk bonds extensively as they invest in infrastructure. Many of these companies issue callable debt which they refinance at lower rates as their ratings improve, analysts said.

Furthermore, investors who once stuck to top-rated credits have become willing to move down the credit spectrum, though they typically will not go below double-B. Nevertheless, more single-B credits have come to the market, as high yield investors have also sought to maximise spreads over US Treasuries.

The reason for this is twofold. First, shrinking US interest rates have enticed investors to move down the credit spectrum in search of higher yields. Second, junk bonds have outperformed the bond market in recent years, forcing investors to re-assess their willingness to buy the product – particularly those investors whose returns are benchmarked against indices which include junk bonds. "More and more investors are saying that they have to participate," said one observer.

"Basically, with spreads having tightened considerably over the last year or two, investors are increasingly seeking out higher spread product and are willing to travel down the credit curve," said Mr Mark Seigal, a managing director at Morgan Stanley.

The same holds true of investors' willingness to consider foreign credits. Volume in the market for public debt and private placements by foreign issuers has thrived, as yield spreads on conventional corporate bonds and junk bonds tightened. Last year, issuance by foreign borrowers totalled $16bn.

The credit quality of these issues has become much more diverse in the past few years, as first Latin American sovereign borrowers blazed the trail and then emerging market companies followed – many in the high-yield debt market.

"There have been secular changes in the breadth of the market," said Mr Steve Jones, head of high yield capital markets at Salomon.

But few credits rated lower than single-B appear in the market. According to Mr Chris Johnson, head of high-yield at Merrill Lynch, some fund managers prefer to buy unrated debt rather than buy C-rated debt. Such debt is then assessed according to internal procedures.

The big question is whether spreads are as tight as they are going to get and whether the market is peaking. In the market's April correction, spreads on high yield bonds widened but are now again at historically tight levels. Some fund managers think that these levels are expensive – particularly given the chance of higher interest rates.

But many market professionals believe that, while the market will still be subject to cyclical swings, the advent of a broad audience of investors is a secular change.

Another threat for underwriters is increasing competition. Commercial banks, most notably Chase, have become active in the underwriting business. While commissions so far show no sign of erosion, competition is increasingly cut-throat, according to underwriters. And investment banks are taking the battle to the commercial banks: the likes of Salomon and Goldman Sachs have become involved in the syndicated loans market, with the result that lending margins are being squeezed.

The good news is that they have a new market in which to compete: junk bond issuance is just getting started in Europe, with recent deals in sterling and D-Marks.

JAPAN: CAPITAL FLOWS • by Gillian Tett

Foreign flight set to continue

Investors have had a powerful incentive to place their money elsewhere

Every spring in Tokyo a peculiarly Japanese ritual takes place. In a neatly co-ordinated move, the country's giant life insurance companies indicate where they intend to place their money in the next fiscal year – a decision that, in line with tradition, they normally take at prescribed points in the calendar.

This year, however, the musings of the life insurance giants are attracting particular attention. For, as Japan prepares for financial deregulation, known as "Big Bang", the issue of capital flows is beginning to attract a new flurry of attention.

During much of the early 1990s, Japan's huge investors were relatively cautious about placing their money in overseas assets – not least because many had been badly burnt by a dash overseas during the heady expansionary days of the 1980s.

However, last year this pattern changed sharply as both life insurance groups and Japanese individuals discovered a new appetite for overseas investments. Consequently, the crucial question hanging over Tokyo as it prepares to deregulate its financial markets is whether this overseas flood will continue unabated, or tail off once again, as it did after the 1980s' rush.

In the short term the answer depends partly on trends in the Japanese and US economies. During the past 12 months, economic fundamentals have left Japanese investors with a powerful incentive to place their money elsewhere.

In Japan, interest rates have been cut to a historic low of 0.5 per cent as Japan's government has sought to boost its flagging economy. This has left the benchmark 10-year government bond falling to about 2 per cent. And with the Nikkei having drifted down by about 11 per cent during the course of fiscal 1996, investors had little reason to place their money in Japanese equities instead.

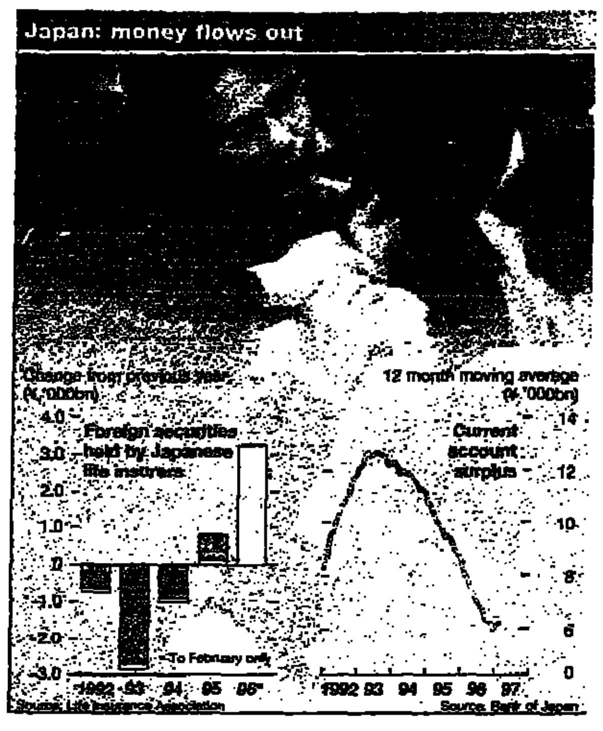
In the US, by contrast, Wall Street has soared. And with bond market yields running at well over 6 per cent the difference has ensured a striking interest rate differential between the two countries – a spread that has actually widened in recent months, as US rates have begun to drift up.

This picture has left life insurance groups voting with their feet. Although they cut their overseas securities investments in fiscal 1992, 1993 and 1994 – and raised them only slightly in 1995 – last year they raised them by Y3,244bn in the first 11 months of the fiscal year alone. And, with a host of other private investors also boosting their overseas investments, the result was a sudden surge in capital outflows from Japan.

The economic fundamentals may not now be quite as compelling. On the one hand, the weakness of the yen – which is believed to have been partly triggered by these outflows – makes it more risky for investors to place their money overseas. The US stock market is starting to look slightly more vulnerable – at least in the eyes of some Japanese investors.

Meanwhile, the interest rate differentials may begin to look slightly less startling. In early May, there was market speculation that Japan might raise its interest rates soon, both in response to the recent yen weakness and a slight brightening of Japan's economic outlook. In practice, a rate rise remains unlikely before the autumn or next year. However, the speculation has already strengthened the yen slightly, and pushed the yield on government bonds sharply up, to hit some 2.68 per cent in the middle of May.

Japan: money flows out



But in spite of these trends, returns on many Japanese investments remain poor compared to the picture elsewhere – and is likely to remain so unless the the US suddenly starts cutting rates. And most life insurance companies expect overseas assets to increase this fiscal year, albeit at a slightly slower rate. Nippon Life, the largest group, for example, expects to invest some additional Y300bn overseas, compared to Y600bn last year. Dai-Ichi Mutual, forecasts a rise of Y300bn, also down from last year's Y500bn increase. Meanwhile, Meiji Mutual expects to raise its increase from Y100bn to Y300bn.

But the interesting question is whether this behaviour will be matched by other investors. For quite apart from the macroeconomic factors, a second key factor is now also influencing capital flows this year – the structural shift under way among Japan's investing community.

Hitherto, Japanese life insurance companies have been one of the more visible focuses for Japanese overseas investment. But financial deregulation is already broadening the range of investors who can now place their money overseas. Next April, for example, a change will be made in the foreign exchange laws that will remove most of the last remaining barriers to individuals and companies investing overseas. Meanwhile, a bewildering myriad of changes is also planned which will give pension funds, companies and other institutional investors greater freedom to increase their overseas assets.

This prospect of reform is reflecting and triggering shifts in consumer behaviour, as individuals increasingly seek higher returns. And since the Japanese market is offering few attractive domestic investment vehicles, this has left most investors looking overseas.

The Japanese securities houses are now aggressively selling overseas securities to individuals. Investors are not only snapping up the traditional US government bonds, but also a range of increasingly risky investments – including securities from developed countries.

This means that even if the life insurance groups do curb their purchase of overseas holdings, the total outflows of capital could well gather pace.

PROJECT FINANCE • by Andrew Taylor

Private sector fills the gap

The number of banks prepared to arrange and underwrite project financing is rising

Last year was a bumper one for project finance as international banks closed a record number of deals funding a swath of power, telecommunications, water, transport and even satellite projects around the globe.

The drive to increase lending has led to greater competition for established north American, European and Japanese finance houses from banks from emerging nations such as Korea, Taiwan, Malaysia, Indonesia and parts of the Middle East.

The growing confidence in the sector is illustrated by the rising number of banks prepared to arrange and underwrite project finance where the risks and rewards are greater.

Demand is being driven by governments which no longer have the capacity to finance infrastructure themselves and which are turning to the private sector to fill the gap.

Power and telecommunications projects have led the way. Road and rail schemes, however, have proved harder to fund with political uncertainty over pricing making it difficult to provide satisfactory cashflow forecasts.

Airports also have attracted large amounts of private sector project finance, particularly in south-east Asia where some of the biggest airport developments are being undertaken.

Total financing of new private infrastructure projects in developing countries is estimated to have more than doubled from $17bn to more than $35bn between 1993 and 1995, according to the International Finance Corporation, the private investment arm of the World Bank.

A further $10.1bn of infrastructure assets were sold in 1994 as a result of privatisation of 75 companies in 30 countries, says the IFC.

A more recent survey conducted by the London-based Project & Trade Finance magazine estimated that project financing, worldwide, was arranged last year for 897 schemes with a total value of £224bn, substantially more than in 1995.

Signed project finance deals by country

Country	Project count	Amount $bn
US	103	46.7
Hong Kong	36	19.4
Indonesia	72	14.1
UK	41	13.2
Australia	44	12.7
Thailand	31	9.4
China	64	6.4
India	28	5.9
Germany	9	6.2
Brazil	23	5.8
Qatar	3	4.7
Canada	23	4.5
Italy	6	4.4
Turkey	14	3.9
Saudi Arabia	6	3.8
Malaysia	13	3.6
Argentina	19	3.4
Chile	15	3.2
Greece	2	3.0
Pakistan	13	2.7

Source: Project & Trade Finance Database

Asia/Pacific region led the way closing deals on 353 projects worth $76.26bn, north America accounted for 126 schemes worth $51.14bn and western Europe 92 schemes worth $34.28bn.

Hong Kong, unsurprisingly given the surge in building ahead of this year's handover of the territory to China, was the most active economy outside of the US, which last year signed project finance deals worth $46.67bn.

Funding in Hong Kong was arranged for 36 projects worth $19.3bn of which developments related to the construction of the new Chek Lap Kok airport accounted for about half.

One of the biggest loans was a HK$8bn financing arranged for Sino Land which together with partners, Kerry Properties, Bank of China and China Overseas Land & Investment is building a large residential and commercial development above Tai Kok Tsui station along a new rail link to the airport.

Indonesia was the third largest user of project finance concluding 72 deals worth $14.14bn, ahead of the UK which concluded 41 deals worth $13.23bn.

Telecommunication projects led the way in Indonesia with the state-owned PT Telekom handing over the management of the country's developing phone network to five private sector companies.

Aria West International raised $615m to finance the establishment of 500,000 telephone lines in west Java by 1999.

Lead arrangers were CIBC Asia, Chase Manhattan Asia, Credit Lyonnais and Sanwa each committing $33.5m.

ANZ Bank, Deutsche Morgan Grenfell Asia and Dai Ichi Kangyo led a group of international banks providing a $480m loan facility to Mitra Global Telekommunikasi to develop networks in central Java.

The UK with its commitment to privatisation and the Private Finance Initiative (PFI) – which seems unlikely to be reversed under the new Labour government – has led the way in Europe.

SBC Warburg and Lehman Brothers were joint lead managers of a £165m fixed rate bond for Road Management Group, the private sector consortium owned by Amec, Alfred McAlpine, Brown & Root and Dragados, which won the concession to finance, build and operate two sections of British roads, the A1 (M) between Alconbury and Peterborough and the A149/A417 between Swindon and Gloucester.

Telecommunications and power projects also featured strongly in the UK. Deals included a $2.29bn Telewest Communications funding which raised $1.8bn of debt and a $1.9bn Mercury One-2-One financing for network expansion.

Power deals included funding for the $1.24bn Humber Power Station stage two development.

Mr Jonathan Scott, executive director at SBC Warburg said: "I would expect to see more of these types of deal around the world. Britain's experience of privatisation gives the country a lead. Public funding pressures mean that project finance is also likely to grow in importance as a means of funding transport developments."

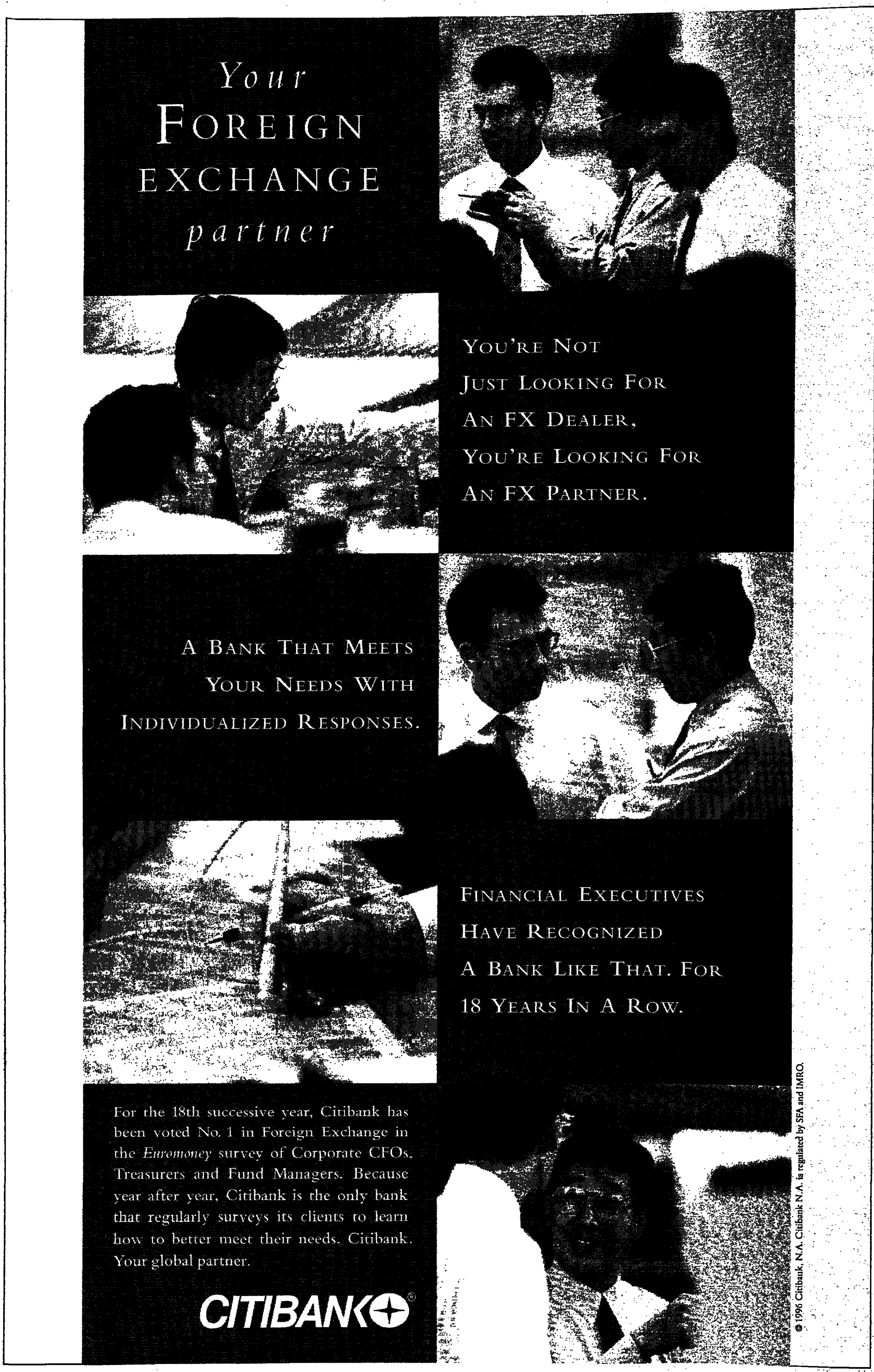
Project & Trade Finance, which also ranked international banks by the scale of their lending, said increased competition was encouraging larger finance houses to move into arranging and underwriting where margins were greater.

Mr Rupert Sayer, the magazine's editor, said: "We are seeing a new tier of arrangers and underwriters which previously were merely participants in project finance syndication.

This new competition includes Korean banks, the German Landesbanks and other south-east Asian banks which are challenging some of the larger Japanese, European and north American banks."

According to the magazine, Chase Manhattan, following its merger with Chemical Bank, was the world's largest arranger of project finance last year underwriting $8.75bn in 92 projects.

It was followed by Citicorp (72 projects and $5.93bn); ABN Amro (64 and $4.63bn); Barclays/BZW (56 and $4.07bn); Bank of America (57 and $3.61bn) and Hongkong and Shanghai Banking Corporation (39 and $2.54bn).


Your
FOREIGN
EXCHANGE
partner
YOU'RE NOT
JUST LOOKING FOR
AN FX DEALER,
YOU'RE LOOKING FOR
AN FX PARTNER.
A BANK THAT MEETS
YOUR NEEDS WITH
INDIVIDUALIZED RESPONSES.
FINANCIAL EXECUTIVES
HAVE RECOGNIZED
A BANK LIKE THAT. FOR
18 YEARS IN A ROW.
For the 18th successive year, Citibank has been voted No. 1 in Foreign Exchange in the Euromoney survey of Corporate CFOs, Treasurers and Fund Managers. Because year after year, Citibank is the only bank that regularly surveys its clients to learn how to better meet their needs. Citibank. Your global partner.
CITIBANK
© 1996 Citibank, N.A. Citibank N.A. is regulated by SFA and IMRO.

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1997 Friday May 23 1997 Week 21

IN BRIEF

Olivetti seeks strategic investor

Olivetti, the struggling Italian information technology group, said it was seeking strategic investors to help its long-term recovery. Mr Roberto Colaninno, chief executive, ruled out a new capital increase. Page 27

Daimler-Benz may raise US output
Daimler-Benz, the world's leading luxury carmaker, is studying plans to build more vehicles in the US and Asia as part of efforts to raise output to more than 1m units a year. Page 26

Matsushita to lift spending by 13%
Matsushita, Japan's largest consumer electronics group, unveiled plans to increase capital spending as it reported a strong rise in profits. The group plans to invest Y470bn ($4bn) this year, up 13 per cent. Page 28

Lenzing cancels dividend
Austrian group Lenzing, one of the world's largest producers of viscose, cancelled its dividend as it unveiled losses of Sch30.3m ($2.54m) incurred during one of the "most difficult" years in its history. Page 27

Zambian copper sale still on track
Zambia insisted that the sell-off of the state copper mining company would start as planned, in spite of the withdrawal of South Africa's Gencor from the development of one mine. Page 34

MHI posts record profits for third year
Mitsubishi Heavy Industries, the largest of Japan's diversified shipbuilding, aerospace and heavy-machinery makers, posted record consolidated profits for the third year. Page 29

Vosper looks to diversify
Vosper Thornycroft, the UK shipbuilder and engineering group, is planning to spend up to £200m ($324m) on acquisitions to reduce its dependence on warship production. Page 30

Santa Isabel founder to sell stake
Mr Eduardo Elberg, founder and majority owner of Santa Isabel, the Chilean supermarket chain, has agreed in principle to sell his 37 per cent stake to the Velox Group in Argentina for about $230m. Page 26

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Deutsche Babck	90.5	+	4.3
GEA Prf	683	+	15
Holzmann	511	+	39
Karstadt	589	+	15
Falls			
PWA	321	-	11
Viag	773.5	-	12.5
NEW YORK ($)			
Rises			
Chaparral Stl	14½	+	1⅛
Hartford Life	32⅝	+	4⅛
Ind Natuzzi	25⅞	+	2⅝
St Joe Corp	79⅝	+	4⅛
Teekay Ship	33⅛	+	2⅝
Falls			
Analog Devices	26	-	1⅛
LONDON (Pence)			
Rises			
Brooke Ind	140	+	16½
Graystone	74½	+	5
Vibroplant	81½	+	7½
Falls			
Drew Scientific	150	-	11
Go-Ahead	448½	-	23
Natl Express	490½	-	28½
TORONTO (C$)			
Rises			
Ashanti Goldfld	12.5	+	1.0
Maax Inc	12.5	+	1.0
Falls			
Eicon Tech	3.05	-	0.35
Camdev Corp	5.45	-	0.55
Goldcorp Clb	10.2	-	1.3
Q Zar	4.0	-	0.4

PARIS (FFr)			
Falls			
Christian Dior	893	-	26
Imetal	783	-	35
Lafarge	382.0	-	12.7
Michelin B	333.6	-	15.5
Renault	147.8	-	6.7
Schneider	310.2	-	11.6
TOKYO (Yen)			
Rises			
Daiwa Bank	460	+	25
KDD	8020	+	470
M'bishi Logis	1710	+	80
Falls			
Honda	3310	-	170
Japan Storage	612	-	34
Murata Manf	4100	-	260
HONG KONG (HK$)			
Rises			
Sun Hung Kai	2.23	+	0.05
Wharf Hldgs	33.3	+	1.3
Wing On	9.4	+	0.2
Falls			
Bk East Asia	37.60	-	0.45
HK Electric	27.15	-	0.50
Sime Darby HK	8.90	-	0.15
BANGKOK (Baht)			
Rises			
Alphatec Elec	47.00	+	4.25
Grammy	312	+	28
Shangri-La	16.5	+	1.5
Falls			
Central Pat	64.5	-	7.0
Hua Thai Man	48.75	-	5.25
PCM Precast	13.25	-	20.00

New York and Toronto prices at 12:30.

City fears departures could pose threat to fashion retailer's recovery

Rebellion brewing at Laura Ashley as two executives quit

By Peggy Hollinger in London

A rebellion appears to be brewing at Laura Ashley, the fashion and furnishings retailer, following the departure this week of two senior executives.

Ms Julie Ramshaw, the former City of London analyst drafted in by Laura Ashley's chief executive Ms Ann Iverson, has resigned as merchandise director after just 17 months. Mr Dominic Lavelle, finance director for UK and Europe, has also quit.

The company, which last month shocked the market with a profits warning, denied yesterday that there were any disagreements between the chief executive and the departing executives. Ms Ramshaw had decided to return to her former career, the group said, and Mr Lavelle had been offered "a very attractive position" at another company.

However, Ms Ramshaw is understood to have handed in her resignation initially to Laura Ashley's chairman, Mr John Thornton, instead of to her immediate superior Ms Iverson. One colleague at Laura Ashley's headquarters said Ms Ramshaw had been frustrated by the lack of "strategic direction". Ms Ramshaw was unavailable for comment.

The departure of the two executives surprised retail analysts yesterday. One suggested the departures could "blow the recovery story out of the water".

It reinforced fears over the strategy being pursued by Ms Iverson. "Strategically the whole thing is in a complete mess," said one analyst. "They do not know what direction they are going in."

Ms Iverson, who joined Laura Ashley in June, 1995 after a series of management changes had failed to return it to profit, is known as a tough retailer, and has been credited with returning Mothercare, the children's wear retailer, to profit in the early 1990s.

Senior employees suggested yesterday there was widespread discontent in the company over actions taken since Ms Iverson arrived in 1995.

In January, she admitted that the company had bought too much stock and said the group would now have to discount merchandise, which would hit profit by some £4m ($6.4m). Both employees and the City are also angry over changes made to the contracts of Ms Iverson and finance director Mr Jim Walsh, which left them with total pay packets last year of £1.1m and £648,000 respectively.

The remuneration committee altered the contracts in February last year, when it emerged that they did not offer an incentive greater than the City's profit expectations.

Although the initial hurdle was raised, the level of bonus was increased substantially at lower profit levels. This has caused widespread discontent within the company.

Under the original remuneration scheme, Ms Iverson would have received a bonus of 40 per cent of total salary on the group's reported profits of £16m. In fact, she received 116 per cent of salary under the revised scheme.

The company yesterday dismissed criticisms as no more than the result of the changes being made by Ms Iverson to help the business. Laura Ashley's AGM is next Friday.

Chief executive Ann Iverson: tough retailer credited with returning children's wear chain Mothercare to profit in the early 1990s. Picture: Universal Press

Rattner to take over as deputy chief of Lazards

By Tracy Corrigan in New York

Mr Steven Rattner, a media banker, emerged yesterday as the successor to Mr Felix Rohatyn, the star dealmaker of Lazard Frères in New York, who is leaving the firm to become ambassador to France.

The firm also announced a series of management changes which will make Lazard Frères, known for its lack of structure, look more like a conventional investment bank. The moves may be seen as a precursor to more formal structural ties between Lazard's New York, London and Paris arms.

Mr Rattner, 44, in his new position as deputy chief executive of Lazard Frères, will report to Mr Michel David-Weill, head of the Lazard group, who retains control of the New York business as chairman and chief executive.

Mr Rohatyn was seen as the most senior figure in the New York arm of the firm but had no formal title.

"I have full confidence that these steps both strengthen and broaden our management team," said Mr David-Weill. "With them, and the continued hard and intelligent work of the entire Lazard organisation, we better assure our continued pre-eminence."

Mr Rattner is a former New York Times journalist who has also worked at Lehman Brothers and Morgan Stanley.

Mr David-Weill also announced the formation of a management committee, with operational and management responsibility.

Mr Kendrick Wilson, Mr Damon Mezzacappa, Mr Norman Eig and Mr Herbert Gullquist have been named vice-chairmen, and will serve on the committee, as will Mr Steven Golub, named chief financial officer, and Mr Melvin Heineman, chief administrative officer.

Mr Rattner's elevation comes despite widely publicised discord with Mr Rohatyn, sparked or aggravated by an article in Vanity Fair magazine in 1994 which touted Mr Rattner as the likely successor to Mr Rohatyn.

Last year, the Lazard houses came fourth in the global ranking of advisers on mergers and acquisitions.

Semiconductor prices hold back NEC

By Michiyo Nakamoto in Tokyo

Telecoms and computer equipment sales fail to offset decline in its chip division

NEC, the integrated electronics group, suffered a 20 per cent decline in group pre-tax profits as strong sales of telecommunications equipment failed to offset a large decline in its semiconductor business.

In the year of mixed performances from its different divisions, the company increased sales by 13 per cent to Y4,948bn ($43.3bn), and net profits rose by 19 per cent to a record Y91.6bn. However, the sharp plunge in semiconductor prices dented pre-tax profits, which fell from Y151.3bn to Y121.2bn.

NEC enjoyed robust sales in its telecoms equipment business, which was supported by the surge in Japan's cellular phone market. Last year, subscribers exceeded the 10m mark, prompting massive capital investment by cellular phone operators.

The company, which is a leading telecoms equipment supplier, enjoyed strong demand not only from cellular phone operators but also from corporations to meet the growing call for network links, such as to the internet. As a result, the communications division increased sales by 38 per cent.

The computer division also continued to grow, with sales rising 7 per cent in the year. NEC is Japan's largest domestic supplier of personal computers but has been losing ground to competitors in recent years. Growth in its computer division was far below the overall 26 per cent growth in the market.

Sales of electronic devices, including semiconductors, fell 7 per cent. However, NEC did not suffer as much as many other companies because it shifted quickly to advanced, higher value-added memories.

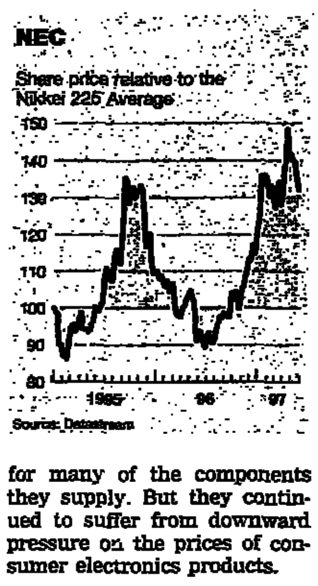
The company depends on memories for 30 per cent of semiconductor sales, but system LSIs, which are higher margin products, make up 56 per cent of sales.

NEC expects semi-conductor sales to rise significantly next year and is expanding production, particularly of advanced 64-megabit chips.

Overall production of semiconductors for the group is forecast to rise from Y1,100bn last year to Y1,300bn this year. Memory chip production is also expected to rise from Y330bn to Y420bn.

As a result, in spite of slower telecoms sales and flat computer sales this year, the company forecasts turnover to rise to Y5,500bn in the current year, pre-tax profits to increase to Y160bn and net profits to reach Y92bn.

● Japanese consumer electronics groups reporting profits yesterday benefited from a weaker yen and firm demand for many of the components they supply. But they continued to suffer from downward pressure on the prices of consumer electronics products.



Matsushita to invest Y470bn after record sales, Page 28

Qantas aircraft refit may launch in-flight gambling

By Nikki Tait in Sydney

Australian airline Qantas yesterday announced plans for a A$550m ($430.8m) refurbishment of its fleet.

The airline, which is 25 per cent owned by British Airways, also said it was considering introducing in-flight gambling.

The refurbishment money will be spent over the next three years, although Mr James Strong, managing director, said the cost would be merged into Qantas' balance sheet over the life of the equipment.

The most expensive change will be the introduction of interactive seat-back videos throughout international economy, business and first-class seating. Executives said this would cost around A$320m and could provide the gambling facility.

Mr Geoff Dixon, executive general manager, said the investment was being made "for competitive reasons". He added that Qantas had already been talking to Australia's federal government over the possibility of using this to provide gambling facilities.

"The business case [for the interactive investment] doesn't include gaming, but it would be very important for our bottom line," he said.

Other elements of the upgrade include redesigned seating which will provide beds for first-class passengers but enable the carrier to add additional seats in the economy section.

The airline is also expected to make an announcement about Jetset Travel, the local travel agency company, "in the next week or so".

Jetset is owned half by Air New Zealand and half by Mr Isi Leibler, a Melbourne-based businessman. Air NZ has given Mr Leibler an option to buy out its stake, and he is rumoured to have had talks with Qantas about selling on the interest for up to A$50m.

Mr Dixon confirmed that discussions had been taking place but appeared to play down the outcome. He said assumptions that Qantas would definitely buy were wrong.

Losses at IBJ's London arm

By Gillian Tett in Tokyo and William Lewis in London

The London branch of Industrial Bank of Japan, one of the country's largest financial institutions, has made a $120m loss from derivatives trading in recent years.

The loss, which IBJ admitted yesterday, is the latest in a series of financial embarrassments for the global banking industry from trading or accounting errors in derivatives markets.

In March NatWest Markets, the investment banking arm of National Westminster Bank, said it had suffered a £90m ($146m) loss from the mispricing of fixed income swaps over a two-year period.

IBJ, which has launched an internal investigation into its losses, stressed they did not involve wrongdoing, and said that they had been incurred on the entire portfolio, rather than in any one transaction. The bank has reported the losses to both the UK and Japanese financial authorities.

The loss came to light, the bank said, because it was reforming the way it presented its accounts to come into line with global standards. Worldwide, the total net loss as a result of these changes – booked by IBJ as a one-off adjustment – is $80m.

The London losses involve interest rate and currency swaps transactions undertaken by IBJ traders.

The admission highlights the potential impact of accounting reforms under way in Japan's financial sector, and is likely to fuel concern about whether other large losses may come to light as a range of Japanese financial institutions take similar steps.

In particular, many banks and securities companies are now moving to using market prices, rather than purchase prices, for measuring the value of their portfolios. This is part of the government's plans to introduce a "Big Bang" financial deregulation to Tokyo's markets.

IBJ, which is Japan's largest long-term credit bank, said it had been introducing the new accounting method, known as "mark to market" from April 1 this year. The full impact of this would be shown in the current year's results. IBJ is due to report its 1996 results but said that the recently discovered losses would not have an impact on them.

هكذا من الأصل

Daimler-Benz may increase US output

By Haig Simonian and Graham Bowley in Tuscaloosa, Alabama

Daimler-Benz, the world's leading luxury carmaker, is studying plans to build more vehicles in the US and Asia as part of efforts to raise output from 600,000 to more than 1m units a year.

Mr Jürgen Schrempp, chairman, said in an interview he was "looking at the Asian market in the widest sense of the word". Among the projects being considered is building in Asia the compact A Class car, to be launched in Europe in October.

Daimler-Benz is also examining making in the region a light truck range, which is under development at its US Freightliner subsidiary, as well as broadening its US presence, possibly by selling versions of the A Class.

Sales in the first four months of year have confirmed the strong growth prompted by the expansion of its model range last year. Unit sales climbed by 7 per cent to 219,000, compared with the previous year, and turnover rose by 12.6 per cent to DM16.5bn ($9.7bn), reflecting the higher value of the new vehicles.

Speaking at the opening of its new $300m car plant in Alabama, Mr Schrempp said he was confident US car sales this year would be "well above" 100,000, compared with 86,000 in 1996.

His confidence was boosted by the debut of the M Class sports utility vehicle, built exclusively in Alabama. The new factory, Daimler-Benz's first full car plant outside Germany, will make about 70,000 vehicles in its first year.

Mr Schrempp confirmed the company planned to raise capacity to about 100,000 in a second phase, subject to demand. "We know 70,000 might not be sufficient and we may have to raise that," he said. However, he denied reports that there were plans for a second vehicle.

The plant comes about two years after BMW, Daimler-Benz's arch rival, inaugurated its factory at Spartanburg in South Carolina and while Audi, Volkswagen's Audi executive cars subsidiary, is looking for sites, including in the south-east US.

All the German manufacturers, which export in large quantities to the US, are diversifying into new products, such as sports utilities and convertibles, and to reduce their exposure to currency fluctuations.

Both manufacturers received large incentives to locate in the south east. In the case of Daimler-Benz, the public and private sectors contributed about $350m to attract the new plant, including a commitment by the state to buy 2,500 M Class vehicles.

Telephone sell-off creates a buzz

Brazil's latest break-up is attracting the top brass despite expected problems

BRAZILIAN PRIVATISATION

To buy a new telephone line in one of Brazil's main cities, you have two choices. You can go on a two-year waiting list and continue to use public call-boxes. Or you go to someone like José.

Mr José Ferreira Junior runs Prestel, one of the hundred or so companies in São Paulo that buy and sell telephone lines on the perfectly legal and highly sophisticated parallel market. Depending on location, a new line can cost anything from $2,000 to $5,000.

Prestel and its competitors bridge the gap in Brazil that separates demand for telephones and supply. "This business only exists because the local phone company cannot meet the demand for new lines," he says.

If Mr Sérgio Motta, Brazil's ebullient minister for communications, has his way, José and his 10 staff will soon be out of a job. Mr Motta plans to break up Telebrás, the state holding company, into a number of units, one being Embratel, the long-distance and international operator, for privatisation by 1999.

He believes the asset sales could raise about $35bn for the government and that the process will attract investment of up to $100bn over the next six years.

Mr Motta, or "Serjão" as he is known, occasionally courts controversy and is under fire after a local newspaper linked him to a vote-buying scandal in Congress.

However, analysts agree that the figure for investment could be huge.

It is not hard to see why. Years of neglect of the infrastructure has left Brazil with the lowest telephone use in Latin America. It has 9.3 lines per 100 people, compared with an average of 13.6 in the continent and 62 in the US. That unsatisfied demand is aggravated by the consumer boom generated by three years of anti-inflationary economic reforms.

Analysts estimate that with the help of private investment the number of lines will nearly double from 13.5m at the start of this year to 26m by 2001. The projections for cellular subscribers are even more dramatic, with the number of subscribers expected to jump from 2.5m to nearly 12m by 2001.

"It is probably the market with the most development potential," says Mr Roberto Peón, president for Latin America at BellSouth, the US telecommunications company.

The repressed demand has also prompted investment in related communication areas. "This is the fastest growing part of the world in terms of telephone paging equipment," says Mr Larry Conlee, vice-president of Motorola of the US.

The privatisation process has already begun with the collection last month of bids for 10 regional cellular phone concessions (known as "band-B"). The industry's top brass, including AT&T, Airtouch and BellSouth of the US and Stet of Italy, are all part of consortia waiting for the results next month.

Sérgio Motta, minister of communications

However, if any of these rosy predictions are to be realised, Mr Motta has a lot of work to do. The Brazilian Congress has only recently begun the painstaking process of analysing the legislation that will establish the new industry structure and an independent regulator.

Moreover, many of the key issues affecting foreign investment have yet to be firmly established and some are likely to be left to the regulator. Mr Motta plans to divide Telebrás into four regional units (nicknamed "Babybrás" companies), however, apart from the state of São Paulo constituting one region, the eventual make-up of these companies is unclear.

More important, the level of competition Babybrás operators will face is uncertain, including the period when others will be excluded from the market. The price of interconnection charges between networks and the division of charges on international calls between local companies and the long-distance operator are other grey areas, analysts say.

Mr Motta insists that the new system will encourage a high level of competition. However, he will be under pressure from parts of the government to make the terms of the new franchises as attractive as possible to bidders to maximise the revenues.

Another thorny issue still to be resolved is the rights Telebrás' existing minority shareholders will have in the newly merged regional companies.

"A lot of important questions are still left outside the legislation," says Mr Patrick Jurczak, Latin America telecoms analysts at ING Barings in New York.

Political opposition from vested interests, the slow progress of legislation through Congress and the general tendency for Brazilian privatisations to miss deadlines, lead analysts to believe that Mr Motta's timetable is optimistic.

However, unlike the privatisation of mining giant CVRD, the sale of Telebrás is unlikely to prompt such popular opposition from customers who are only too well aware of its weaknesses.

The fate of businesses such as Prestel will be an indicator of how successful Mr Motta is in encouraging new investment. Mr Ferreira Junior believes the parallel market will be around for another four years. But he adds: "It is a very delicate situation. No one knows exactly what is going to happen."

Geoff Dyer

This is the third in a series on Brazilian privatisation. Previous articles have appeared on April 29 and May 14.

Santa Isabel founder to sell stake

By Imogen Mark in Santiago and Ken Warn in Buenos Aires

Mr Eduardo Elberg, the founder and majority owner of Santa Isabel, the Chilean supermarket chain, has agreed in principle to sell his 37 per cent stake to the Velox Group in Argentina for about $230m.

Velox, an investment group headed by Mr Juan Peirano, the Uruguayan businessman, controls Disco, a similar-sized Argentine supermarket chain, through its 45 per cent shareholding.

Santa Isabel, the second-biggest Chilean supermarket operator, said it expected to finalise the deal within 10 days.

The two businesses would remain completely separate, with their own existing managements and corporate structures, but would share "industry knowledge and capabilities, including marketing, information technology, regional buying power and logistics and distribution".

Mr Tadd Chessen of ING Barings in Buenos Aires said: "The most tangible benefit of the alliance would be their combined purchasing power."

However, Mr Elberg's apparent departure from Santa Isabel raises questions among Chilean investors about its future high growth potential, said Mr Juan Sommer, a senior analyst with HSBC James Capel in Santiago.

Mr Elberg has been the driving force behind the Santa Isabel chain. It started as a corner store in Valparaiso in 1975, and now has 64 supermarkets in Chile, 13 in Peru, four in Paraguay and one due to open in Ecuador this year.

Sales last year were $733m, and it has a market value of $500m. About 47 per cent of the company is held by foreign investors through American Depositary Receipts in New York.

Over the past year, Mr Elberg had been looking for a strategic partner to help strengthen his position in the competitive Santiago market – Santa Isabel stores are mainly in the provinces. However, the company will "continue its search for an international hypermarket operator with which to form a joint venture for the development of a hypermarket format", it says.

Santa Isabel has an estimated 13 per cent share of the Chilean market. The number one operator, DyS, has 19 per cent.

Disco's core operations are small, up-market supermarkets in downtown Buenos Aires. They offer services such as free home delivery, telephone ordering and a customer loyalty programme – Argentina's first.

This month Disco reported first-quarter net income of $4.85m, 30.8 per cent ahead of the previous year.

Ticket to future success for HSN

It's a long way from Hollywood to the hum-drum world of transaction processing, but Mr Barry Diller, the US entertainment executive, seems happy enough to make the journey.

This week Mr Diller, chairman and chief executive of HSN, the home shopping and television broadcasting company, announced that his company was taking a controlling stake of just over 50 per cent in Ticketmaster, by far the biggest US ticketing agency, in a deal worth about $210m.

The two companies will continue to operate independently – Home Shopping Network offering end-to-end sales pitches on television for jewellery and other goods, while Ticketmaster sells tickets for sports events, movie theatres and pop concerts.

To that extent, they may seem to have little in common. But Mr Diller said the big attraction of the deal was that both were in much the same business behind the scenes: processing millions of transactions a year to fulfil people's orders for goods.

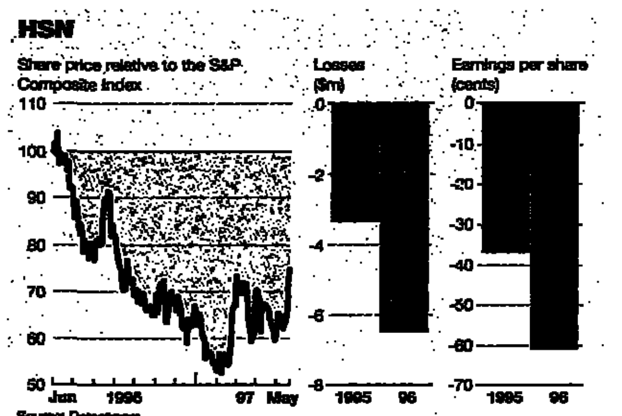
Mr Diller, once head of Paramount Pictures in the days when it was turning out movies like *Raiders of the Lost Ark*, built his reputation as a television executive by turning News Corp's Fox into a fourth national television network, defying industry opinion that the venture was doomed.

He left Fox in 1992 to join the QVC Network home shopping channel and used this company in an attempt to take over Paramount Communications, parent of Paramount Pictures. But he was defeated in a bid battle with Viacom, the cable television company, and subsequently failed in an attempt to take over the CBS television network.

Two years ago, after leaving QVC, Mr Diller took a controlling stake in Silver King, a television company the main output of which was the Home Shopping Network service.

He then merged Silver King with Home Shopping Network and renamed it HSN: he is using this new company as a vehicle for his ambitions.

The biggest single component of HSN's business is shopping by television, but it has not been particularly profitable. Plagued by heavy returns of unsatisfactory goods, the former Home Shopping Network made a net loss of $61.9m in 1995.



However, Mr Diller appears to be turning it round: last year sales rose 14 per cent to $894m, partly reflecting a decision to pitch less expensive goods customers could more easily afford: and with the return rate down from 25.8 per cent to 21.3 per cent, the business made net profits of $20.6m.

Meanwhile, Mr Diller's ambitions for a return to mainstream television remain intact.

Starting in Miami early next year, he plans to change the chain of 18 broadcast television stations he owns or controls from vehicles for the Home Shopping Network to outlets for a new kind of service that will produce an alternative to the ones offered by existing broadcasters.

Details are sketchy, but the concept embraces a mix of news, investigative reporting and features with a high local content. If that does not work, Mr Diller says, he will try another concept. The Home Shopping Network will transfer to cable.

Start-up costs in television are high, so Mr Diller is at an advantage in having the cash flow from the home shopping business to help him through this phase.

And by taking control of Ticketmaster, Mr Diller believes both companies will benefit by merging their transaction processing operations.

Home Shopping Network and Ticketmaster alike have spent 15 years in the transaction processing business, and Mr Diller believes they are well placed to offer their expertise to other companies wanting to outsource their transaction processing to an operator that can do it more efficiently than they can themselves – not least, because electronic retailing is growing so quickly.

"It's our feeling that the wind is at the back of electronic retailing," Mr Diller said this week. "In the next several years, the ability to organise and offer transactional expertise to others as electronic commerce grows will be a truly large business, and what we can learn from each other and what we can each contribute in terms of that expertise ought to enable each company to grow faster."

Richard Tomkins

AMERICAS NEWS DIGEST

Hartford Life offer beats predictions

The Hartford, the Connecticut-based insurer previously known as ITT Hartford, yesterday completed the $735m initial public offering of Hartford Life, its subsidiary, in a deal intended to improve its shareholder value. The offer was oversubscribed and the shares gained swiftly in early morning trading yesterday. By lunchtime, they had reached $32¾, more than 15 per cent ahead of the initial price of $28¼, ahead of analysts' original predictions.

Hartford Life will still be controlled by The Hartford, as the offering represents only a 16.8 per cent of the company – which could rise to 18.6 per cent if underwriters exercise their option to make more shares available for sale. Hartford's shares fell $1 to $78, almost exactly its level when its intention to make the float was first announced in early February.

However, the move helps it by establishing a market value for its life business. It was also helped by strong sentiment in the market towards life insurers, which are thought likely to benefit from demographic factors, with the "baby boom" generation of Americans beginning to enter the last decade before retirement.

John Authers, New York

Apple to reveal Newton plan

Apple Computer was yesterday preparing to announce plans for the disposition of its loss-making Newton handheld computer business, following lengthy efforts to find an investment partner or buyer. The computer company declined to discuss the Newton business in advance of a press conference yesterday. According to some reports, however, it planned to turn the Newton division into a wholly-owned subsidiary. This is seen as a prelude to the sale of all or part of the Newton business, which has become a drain on Apple's dwindling resources. Apple has lost $1.6bn in the past six quarters and does not expect to return to profitability until later this year.

A European telecommunications company is understood to have shown strong interest in Newton, but it was not clear yesterday morning whether a deal had been agreed. Apple is believed to have held talks with several US and Asian computer manufacturers.

If the division is sold, it is expected to retain licences to use the Newton technology. *Louise Kehoe, San Francisco*

J & J in $310m buy

Johnson & Johnson, the consumer and healthcare products group, said yesterday it had reached a definitive agreement to acquire Biopsys Medical in a stock swap valued at $310m. Biopsys develops and manufactures products for diagnosing and treating breast cancer, including a minimally invasive procedure for acquiring multiple breast-tissue samples.

Johnson & Johnson would issue stock for each Biopsys share equal to $27.55 divided by the Johnson & Johnson average closing share price over a specified 20-trading-day period. On Wednesday Johnson & Johnson's shares closed at $59⅝, down $1⅛; Biopsys shares closed at $25⅞, up $⅛.

AP-DJ, New Jersey

Hudson's Bay eyes Kmart units

Hudson's Bay, Canada's largest department store chain, is preparing a bid for 36 Kmart Canada stores and is considering buying 10 Eaton's outlets, Mr George Kosich, president, has said. His announcement comes amid a shake-up in the Canadian retail business, which was rocked in February when Eaton's filed for protection from creditors. The struggling 123-store Kmart Canada chain has been put on the block by its US parent company.

Hudson's Bay, which owns 101 Bay outlets and 296 discount Zellers stores, was considering acquisitions as there were no new shopping malls slated for construction in the near future, Mr Kosich said. Eaton's is protected until the end of June as it attempts to restructure and attract new investors to turn the operation around.

Hudson's Bay reported C$6.8m in cash and more than C$1bn in long-term debt as of January 31. Profits were up slightly at C$36.1m on sales of $6bn.

Scott Morrison, Vancouver

Bombardier advances 9%

Bombardier, the Canadian transportation equipment manufacturer, reported a 9 per cent increase in net income to C$83.5m (US$61.1m) for the quarter ending April 30. Revenues were C$1.66bn, up almost 4 per cent over the same period last year. Profits rose due to strong performances in each of the company's sectors, said chairman Mr Laurent Beaudoin. Revenues were expected to increase at a faster rate in the third quarter, he said.

Bombardier, a leading producer of subway cars, aerospace and motorised consumer products, was recently awarded a contract to supply light rail vehicles to Stockholm's mass transit operator.

Scott Morrison, Vancouver

Unibanco makes NY debut

Unibanco, the third biggest private bank in Brazil, made its debut on the New York Stock Exchange in heavy trade. In late morning Unibanco's American Depositary Receipts were at $34⅛ after being priced at $33⅝. Volume was 4.9m ADRs, making Unibanco the second most active share on the exchange.

Unibanco, the first Brazilian bank and the third Brazilian company to list on the NYSE, is offering 28.5m units outside Brazil as part of a global offering, with 20.6m being offered in the US.

Reuter, New York

Anheuser lifts Mexican stake

Anheuser-Busch, the US brewer, has increased its stake in Grupo Modelo, the Mexican brewer, to 37 per cent. Anheuser invested an additional $605m, bringing its total investment in Grupo Modelo to more than $1bn.

Reuter, St Louis

Agfa covets Du Pont's film unit

By Michael Peel and Jenny Luesby

Bayer's ailing films business, Agfa, is in talks with Du Pont about buying the US group's $600m film business. The German group said yesterday it hoped to have concluded a takeover by the beginning of next year.

Neither business has been performing satisfactorily. Agfa accounts for 15 per cent of Bayer's sales. However, last year, even after heavy restructuring, it showed a return on sales of 3 per cent, against the group average of 9.3 per cent.

Mr Manfred Schneider, chairman, said in March it was essential the group made "further lasting improvements in productivity" at Agfa.

Du Pont has taken a similarly tough line on its own films and printing plates business. "The business has not been performing well for a long time," said Du Pont yesterday, "and it does not represent a great fit for Du Pont".

The Du Pont business could, however, provide a solution for Agfa. The merger would extend Agfa's graphics systems operation, which accounted for just under half of the film group's sales of DM7.47bn ($4.42bn) in 1996.

"This is part of our core business and I think we can strengthen it," said Dr Hartmut Hilden, an Agfa official. "With this acquisition we will be bigger and more competitive in terms of products and sales force and we will have a better market share."

Agfa said it had not yet decided how it would run the newly merged business, or the level of cost-cutting. It expected to "hire most of the employees" taken on from a deal with DuPont.

With sales last year of around $600m, the Du Pont business employs 2,200 at four European production sites. Three of these are in the UK, at Leeds, Margate and Thetford, and one in Neu-Isenburg in Germany.

Dr Hilden said Agfa was confident it could improve on the poor results achieved recently by both companies. "The competition is very hot in this sector but it's still a growing market," he said. "The addition of the Du Pont business will make the business bigger and more successful."

Bayer's share price closed up DM1, at DM65.40, on news of the planned merger.

Olivetti seeks strategic investors

By Paul Betts in Lyons

Olivetti, the struggling Italian information technology group, said yesterday it was seeking strategic investors to help its longer-term recovery.

However, chief executive Mr Roberto Colaninno ruled out a new capital increase.

The new Olivetti chief yesterday launched the latest stage in his recovery strategy by presenting in Lyons to 700 international customers the group's new information technology systems and *solutions subsidiary*, renamed Olsy.

The unit, with annual sales of L4,500bn ($2.7bn), accounts for more than half the group's turnover and expects to show a small pre-tax profit this year. In the first half it is expected to report a pre-tax loss of about L28bn, after a first-quarter loss of L38bn and a profit of L10bn in the second quarter.

Olsy will constitute one of Olivetti's two core businesses, together with telecommunications.

Mr Carlo De Benedetti, former Olivetti chief executive who resigned last year after the company was swept by financial and shareholder turmoil, is still Olivetti's single biggest shareholder with a stake of just over 6 per cent.

But Mr De Benedetti, who at one stage controlled about 34 per cent of the company, has made clear he wants to reduce his stake to 5 per cent and take a less active role to concentrate on his other industrial interests grouped around his Cir holdings.

Olivetti's new group of shareholders, if constituted, would not control the company, which Mr Colaninno wants to keep public.

Analysts are sceptical, however, that such a group will emerge. Mr Max Casini, Italian specialist with Flemings Research in London, said: "People are going to approach this with a great deal of caution."

Mr Colaninno yesterday quashed speculation that Olivetti was in talks with Italian television group Mediaset on a link-up with the Omnitel business. Rumours of the talks had driven the Olivetti shares to a high of L530 before the denial, from Wednesday's close of L517.2. They closed yesterday at L511.

Mr Colaninno said Olsy was also seeking strategic partners and did not rule out that Olivetti might shed a stake in Olsy.

Roberto Colaninno: ruled out a new capital increase

Lenzing struggles in tough fibres market

By Jenny Luesby

Lenzing, one of the world's largest viscose producers, yesterday cancelled its dividend as it unveiled losses of Sch30.3m ($2.54m) incurred in one of the "most difficult" years in its history.

The Austrian company said it had been hit by a triple reversal in the world's viscose industry.

Global demand for the man-made fibre fell 8 per cent last year, the group said.

This followed a temporary boost in demand over the *previous two years as fabric* makers switched to viscose during a cotton shortage. However, there was now a sufficient supply of cotton at average prices, said Lenzing.

Meanwhile, a rapid expansion by new viscose manufacturers in Asia had created a glut of the fibre.

Lenzing had taken part in this growth through its Indonesian associate, South Pacific Viscose. And despite both declining demand and prices it had proceeded with its own Asian expansion, *opening a third production* line at the beginning of this year.

In Europe on the other hand, several producers, including Courtaulds of the UK, Lenzing's closest rival, have closed older factories, cutting regional capacity by a fifth.

Much to the ire of the rest *of the industry, one of these* factories is about to reopen with the help of Spanish state funds. But Lenzing echoed Courtauld's warnings of the previous day when it *said more closures would* inevitably follow.

The biggest problem for all viscose producers remains the rock-bottom prices for the fibre. These were at their lowest level since 1980, said Lenzing.

The decline had been worst in Asia, where "even low cost fibre producers suf*fered losses in 1996* as a result of the dramatic price collapse."

But European producers had also been affected.

Lenzing only makes cellu*losic fibres, of which viscose* is by far the most important. As a result, group sales fell from Sch8.7bn the previous year to Sch7.79bn. The pre-tax loss of Sch30.3m compared with a pre-tax profit of Sch312.6m in 1995.

Lenzing said it foresaw no improvement this year. But it hoped that a drastic cost-*cutting programme*, involving around 500 job cuts, would generate savings of Sch500m by 1998.

López restarts motor career

By David White in Madrid

Mr José Ignacio López de Arriortúa, the former motor executive accused of taking company secrets from General Motors of the US, may be on the point of relaunching his career in the car industry.

The 56-year-old Spanish Basque engineer, popularly known as "Superlópez", has held talks about the purchase of a former Suzuki plant making four-wheel drive cars at Linares in southern Spain, regional officials said yesterday.

At least one meeting had been held with Mr López and a group of Basque business associates, although no firm offer was on the table, they said. The group was *one of "three or four" possi*ble contenders for taking over the plant.

Mr López, celebrated for *treating workers as "war*riors" and prescribing diets for their fitness, faces charges in Germany for betraying corporate secrets when he moved to Volkswagen in 1993 from his post as purchasing chief at General Motors. Executives who moved with him face similar charges.

Under a settlement with GM, which filed a civil suit, Volkswagen agreed earlier this year to pay $100m and *purchase $1bn worth of Gen*eral Motors parts. This followed Mr López's departure from the German group. He currently runs a consultancy firm.

The Linares factory, called Santana Motor, is under the interim control of regional authorities. They took 84 per cent of the capital when Suzuki pulled out two years ago after a long conflict over the future of the plant and failed efforts to sell it.

EUROPEAN NEWS DIGEST

Pro Sieben ahead 34% in first term

Pro Sieben, the German media company which is preparing for a DM1bn ($590m) flotation of preference shares in July, said yesterday first-quarter sales rose 17.5 per cent to DM479m. Pre-tax profits climbed 34 per cent to DM84m. Mr Georg Kofler, chief executive, said the company expected 1997 to show an improvement on last year's turnover of DM1.69bn and pre-tax profits of DM177.6m.

Regarding the forthcoming flotation of 17.5m non-voting preference shares, Mr Kofler said the offer price would be set on June 23 and the shares would start trading on July 7. Mr Kofler also sought to address fears about management independence at the company, which is controlled by Mr Thomas Kirch, the son of the Munich-based media mogul Mr Leo Kirch, who supplies some 45 per cent of Pro Sieben's programming. Competitors have alleged that Pro Sieben's future profitability is vulnerable to the financial needs of Mr Leo Kirch, who has run into difficulties recently with the development of a digital pay-TV network. Mr Kofler denied that there was a conflict of interest.

Frederick Stüdemann, Berlin

Veba targets overseas sales

Veba, the German power and industrial group, plans to spend DM12.4bn ($7.3bn) in overseas investments over the next five years, Mr Ulrich Hartmann, chairman, said yesterday. Speaking at Veba's annual shareholders' meeting, Mr Hartmann said the sum represented 40 per cent of the group's total investment budget. He said he expected the investments to help overseas sales double over the next six to eight years to 50 per cent of total turnover.

Reuters, Essen

Iri back in the black

Iri, the Italian state holding company, yesterday announced a L184bn ($110m) return to profit in 1996 after losses totalling L16,850bn in the previous four years. The turnround came despite heavy losses at Alitalia, the national airline, and Finmeccanica, the industrial and high technology holding. It was largely because of a L3,500bn profit on the book value of its 62 per cent stake in Stet, the state-controlled telecoms group, which was transferred to the Treasury.

The Treasury was obliged to purchase Iri's Stet stake to try to meet a 1993 agreement with the EU to reduce the holding company's net debt to about L5,000bn by the end of 1996. Iri managed to reduce net debt, through restructuring and sell-offs during the year, to L9,400bn from L22,500bn.

Robert Graham, Rome

Intermarché in German buy

A group led by French supermarket chain Intermarché has paid DM1.5bn ($885m) for a controlling 75 per cent stake in German retail chain Spar Handels. Adviser Translink said last night the deal would give Intermarché 4,000 stores across Germany with annual sales of DM21.6bn.

Mark Mulligan

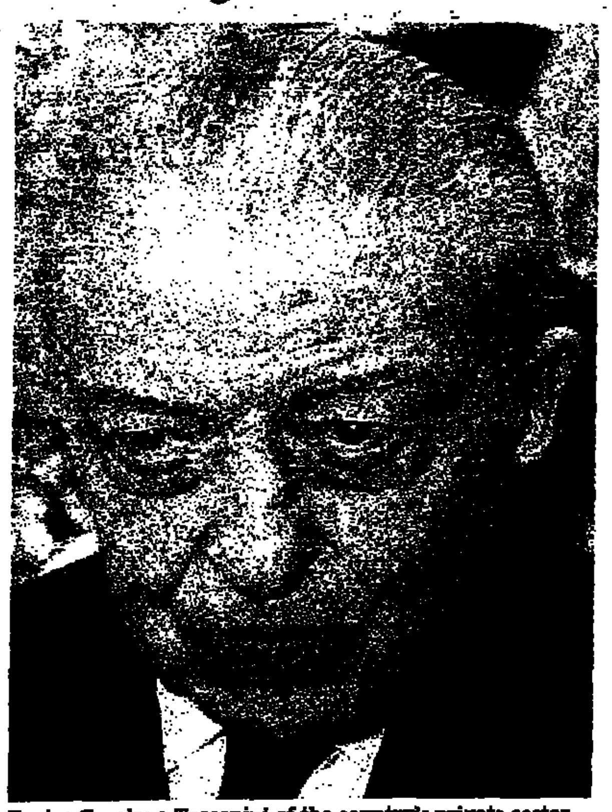
Mediobanca at a crossroads

The Italian bank is becoming isolated in the fast-changing industry

Mr Enrico Cuccia, at 89, has a regular *routine*. At 8am every day he goes to buy his newspapers, walks to old-fashioned tea rooms in Milan's chic Via Montenapoleone, has a coffee at the bar, speaks to no-one, and then walks to his office at Mediobanca behind the Scala opera house.

His small, bent silhouette has become the most potent symbol of Italian family capitalism. For the secretive Mr Cuccia has acted during the past half century as the great conductor of Italy's northern industrial and business dynasties – a sort of Toscanini of the country's private sector.

These days, however, his carefully crafted, if somewhat shadowy, world of closely-knit business interests appears to be crumbling. Only this week, Banca Commerciale Italiana (BCI), Mediobanca's commercial banking ally, was thwarted by the smaller *Ambroveneto* in a bid to link with Cariplo, Europe's largest savings bank.



Enrico Cuccia: a Toscanini of the country's private sector

The deal, had it been successful, would have expanded Mediobanca's sphere of influence in the country's rich industrial north at a time when the banking sector is undergoing a radical *change and facing* greater international competition.

Not only are Mediobanca's traditional Italian and international rivals *questioning* its strategy and future, but Italian Treasury officials whisper that the bank is losing its touch.

Government officials say it was showing its age as early as 1993, during the privatisation beauty contest between investment banks. Although it has preserved a strong international *reputation as* the country's only real merchant bank, hardly a week passes without some newspaper reports on the waning influence of Mediobanca.

But some say Italians are too keen *on building* up financial and industrial figures as if they were football players, only to cut them down. "A lot of superficial nonsense is said and written about Mediobanca and the all-powerful and seemingly eternal Mr Cuccia," said a banker with a big US investment house.

"Compared with many other Italian financial institutions they still have some of the brightest people, they still reign over the domestic rights issue market, and you will still find their hand in most big Italian corporate deals."

But no-one can deny that Mediobanca does have problems. The past few weeks have been a Calvary of sorts for the bank. What seemed to mark a triumphant comeback with the proposed merger between the Mar*zotto textile* group and HPI, the industrial holding company of the so-called "salotto buono" – or fine salon – of *Italian private business, has* turned into a public relations disaster with Marzotto deciding at the last minute to pull out.

The recent alliance engineered by the bank between Rinascente, the retailing group controlled by the Agnelli Fiat family, and Auchan, the French supermarket chain, provoked a storm of protest from Rinascente minority shareholders and US and UK institutional investors.

Above all, Mr Cuccia's unusual *reaction to the* recent conviction on charges of illicit party political funding of Mr Cesare Romiti, the Fiat chairman and one of the country's most powerful industrialists, suggested some measure *of panic in* the salotto buono.

Mr Cuccia and a catalogue of leading business figures signed a letter published in the Italian business daily Sole 24 Ore expressing their solidarity to Mr Romiti and attacking the judiciary.

The initiative appears to have backfired. "I view it as an exercise in extreme arrogance – quite disgraceful," said an Italian banker.

It is the bank's failure to adapt, say Mediobanca's critics, that risks turning it into a dinosaur. "They have continued to rely on their near monopoly of Italian merchant banking which is now *falling apart*," said another Italian banker.

Mediobanca's future evolution could now take a Darwinian twist. "It will probably end just as it started," said an experienced Italian banker with a big US investment firm.

Set up in 1946 and controlled by three of the coun*try's largest commercial* banks – BCI, Credito Italiano and Banco di Roma, then all in state hands – it became the vehicle for Mr Cuccia, who worked for Banca Commerciale, to cre*ate a counter force for* the big private sector family groups against the appetites of the public sector.

But the government is now attempting to reduce the role of the state by pri*vatising and liberalising the* economy. And so Mediobanca's original *raison d'etre* is disappearing. The consequent process of reinvention has not been helped by the bank's secret ways, nor by the problem of finding a successor of Mr Cuccia's calibre.

Mr Vincenzo Maranghi, the bank's chief executive, continues to be overshadowed by Mr Cuccia's near mythical reputation.

As a result, the balance of power has shifted from the bank to its main partners and essentially its most powerful ally – Mr Romiti.

The Fiat chairman is a man of strong personality and ambition and has in recent years *increasingly usurped* Mr Cuccia's role in the salotto buono. But his interests in Fiat at times clash with those of Mediobanca. Before the uncertainties caused by his recent conviction, the Fiat chairman was widely seen as moving to Mediobanca after retiring next year from the car group.

In the past few weeks, Fiat's Agnelli family has also signalled its intention to diversify its Italian banking relationships. Its Ifi and Ifil holding companies have acquired a 5 per cent stake in Istituto San Paolo di Torino, *Italy's biggest commer*cial bank. The Agnellis appear to be pressing San Paolo to forge closer links with Imi, a Rome-based investment bank, with a view to turning it into San Paolo's merchant bank.

Where does all this leave Mediobanca?

"The solution is so obvious that it probably won't happen because we are in Italy," said an Italian banker echoing the views of many of his peers. For months there has been speculation that Mediobanca would return to its roots and be absorbed by BCI to become the merchant banking arm.

The ground work seems to have already been prepared for such a move. Last month, BCI elected a new board and a new chairman, *but carefully avoided* appointing a managing director to sit on the board. Instead, it appointed two general managers.

Although it dismissed suggestions that Mr Braggiotti of Mediobanca was being groomed as a future managing director, the position appears to have been kept open. This suggests that even the very heart of the Italian banking system is *unlikely to escape the evolu*tion of the species.

Paul Betts

World Stocks, Page 44

Matsushita to invest Y470bn following record sales

By Michiyo Nakamoto in Tokyo

Matsushita, Japan's largest consumer electronics group, unveiled plans to substantially increase capital spending, as it reported a strong rise in profits helped by the yen's weakness and strong sales of communications equipment.

The group plans to invest Y470bn ($4bn) this year, up 13 per cent from last year. The bulk of the increase will go toward LCD production which will see a sevenfold increase in capital spending.

Sales in the year just ended reached a record Y7,675.9bn ($67.19bn), an increase of 13 per cent. Pre-tax profits rose from Y76.6bn to Y332.1bn while net profits more than doubled from Y56.9bn to Y137.9bn. The sharp increase in profits came against a one-time charge of Y164.2bn, arising from a foreign currency translation adjustment on the sale of its 80 per cent stake in MCA, the US entertainment group. Excluding the impact of that charge, pre-tax income was up 38 per cent and net income rose 28 per cent, the company said.

The group was helped by buoyant demand for cellular phone handsets as well as for PC peripherals, such as disk drives and displays, in the domestic market. As a result, the communications and industrial equipment division saw sales rise 24 per cent.

Home appliances also sold well on replacement demand in Japan, where the consumption tax was raised from 3 per cent to 5 per cent in April. Car audio sales meanwhile supported an increase in the audio division while digital video camcorders helped the video division to increase sales. Batteries also sold well on increased demand for rechargeable batteries which are used for portable equipment, such as the MiniDisc and personal digital assistants.

The yen was a big factor behind Matsushita's strong gain, contributing Y165bn to operating profits. The company also credited cost-cutting efforts for its better performance.

Nevertheless, the fall in semiconductor prices had an impact as did other price falls which led to a total decline in operating profits of Y340bn.

Looking ahead, the company expects strong demand for information-related products to help improve sales by 4 per cent to Y7,956bn. Pre-tax profits are forecast to increase 12 per cent to Y372bn while net profits are expected to rise 10 per cent to Y152bn.

Drugmakers shrug off price cuts

By Bethan Hutton in Tokyo

Six of Japan's main pharmaceuticals companies have announced annual results better than forecast, in spite of government pressure on prices in the domestic market.

New products were a key factor in maintaining profits, as government-imposed price cuts apply only to established medicines. Overseas activities also improved with additional help from the weaker yen.

Takeda Chemical Industries, the Osaka-based market leader, reported its third consecutive profit increase. On an unconsolidated basis, recurring pre-tax profits grew 13.2 per cent to Y103.95bn ($910m), while post-tax profit rose 20.9 per cent to Y50.05bn.

Exports were 31 per cent higher and Takeda reported strong sales of antibiotics. It plans to pay a full-year dividend of Y17.25, compared with Y15 a year ago.

Sales at Sankyo, Japan's second-largest pharmaceuticals maker, grew only 7.9 per cent to Y442.7bn, but recurring pre-tax profits rose 29.1 per cent to Y112.2bn, and post-tax profits 15.2 per cent to Y48bn.

Taisho Pharmaceutical's recurring pre-tax profit set a new high for the third year running, climbing 8.9 per cent to Y67.4bn, while after-tax profit grew 4.3 per cent to Y33.4bn. Sales were 7.6 per cent higher at Y237.7bn.

Recurring pre-tax profits at Tanabe Seiyaku leapt 64 per cent to Y15.5bn, and after-tax profit rose 57.5 per cent to Y5.9bn due to higher exports helped by the weaker yen and increased sales of prescription drugs within Japan.

Chugai held its dividend at Y11.5 after pre-tax profit grew 8.6 per cent to Y22.6bn on sales 10.2 per cent higher at Y170.7bn.

Fujisawa reported a 30 per cent jump in after-tax profits to Y6.4bn, and a 6.6 per cent increase in recurring profit to Y23.7bn, on sales up 2.5 per cent at Y224.7bn.

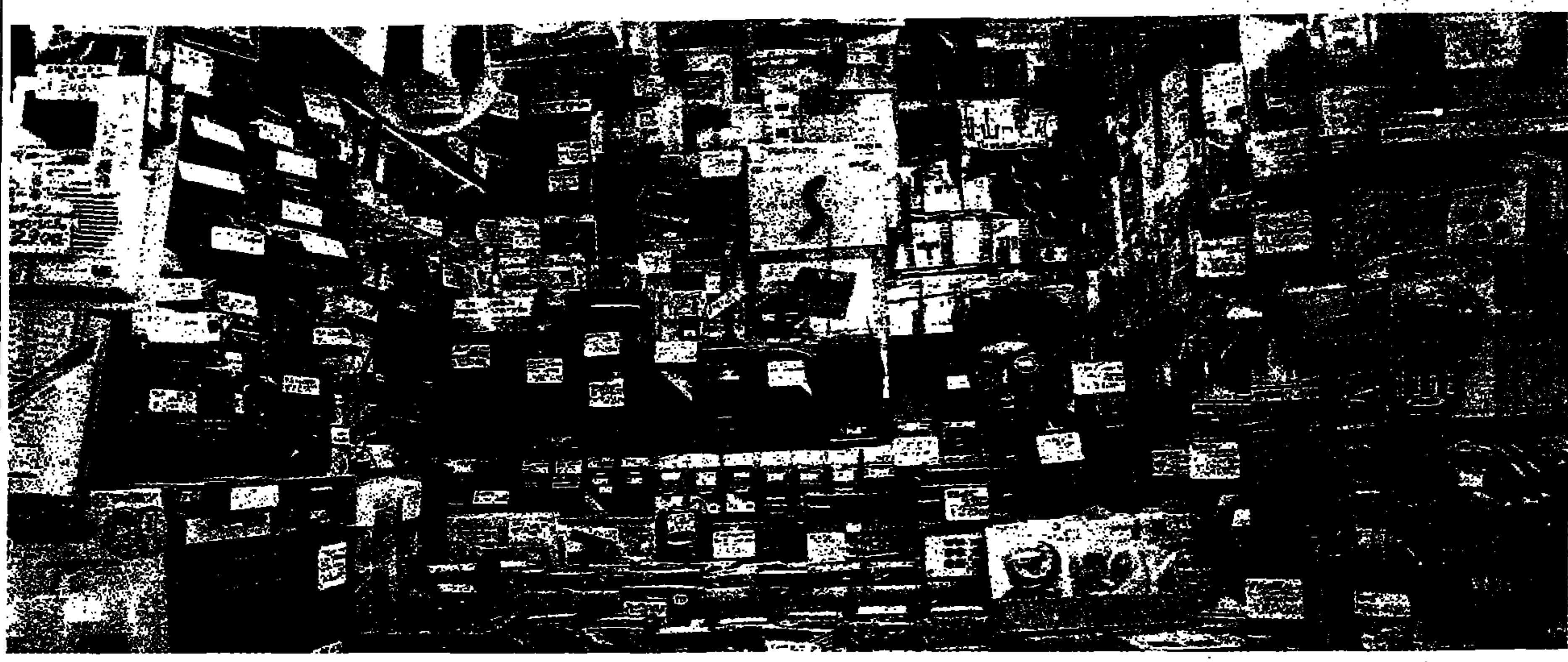
Profit forecasts for the current year were fairly conservative, reflecting the recent increase in Japan's consumption tax rate, and continued government price-cutting measures.

Takeda forecast a mere 0.5 per cent rise in recurring profit, and a 1.9 per cent increase after-tax, on sales ahead 1.5 per cent. Sankyo said it saw sales growing 1.7 per cent, and recurring profits rising 2.4 per cent, but after-tax profit should improve 8.3 per cent.

Taisho forecast a fall of 3.6 per cent in recurring profit, in spite of slightly higher sales. Chugai also forecast higher sales but a recurring profit decline of 4.7 per cent, and a net profit fall of 7.8 per cent.

Fujisawa expects sales, recurring and post-tax profits to be slightly lower.

Consumer electronics benefit from lower yen



Techno: electrical goods makers in Japan are seeing strong demand for MiniDisc batteries and digital still cameras but demand for laser disc products has fallen

Mike Blank

By Michiyo Nakamoto

Japanese consumer electronics groups benefited from a weaker yen and firm demand for many of the components they supply but continued to suffer from downward pressure on prices of consumer electronics products.

Sharp, the world's largest supplier of liquid crystal display panels, posted flat group pre-tax profits in spite of higher sales. This was because of steep falls in the prices of semiconductor memories and passive LCD panels used for still images took their toll.

Consolidated sales rose 9 per cent to Y1,790.6bn ($15.67bn) and net profits increased 7 per cent to Y48.5bn but pre-tax profits were just 2 per cent up at Y88.6bn.

The company, which supplies about 35 per cent of global LCD demand, expects a shift to more popular TFT-LCD panels will help expand sales this year to Y1,920bn, pre-tax profits to Y93bn and net profits to Y50bn.

Buoyant sales of electronic components supported a rise in sales and profits at Sanyo, in spite of a downturn in semiconductor prices.

Consolidated sales in the year were at Y1,793bn and pre-tax profits came to Y41.5bn while net profits reached Y17.7bn. The figures are not comparable with last year's results because Sanyo changed its year-end from November to March.

However, they represent increases if compared with the same period in the previous year, the company said.

Sanyo benefited from the strong demand for lithium ion batteries for portable products such as MiniDiscs, as well as strong sales of digital still cameras. The company expects that continuing strong demand for these products will support a rise in sales to Y1,870bn and increase in net profits to Y20bn.

A sharp decline in laser disc sales and restructuring costs affected the performance of Pioneer, the specialised audio-visual maker which is the main supplier of laser disc systems.

The company, which depends on export sales for 60 per cent of total sales, enjoyed the benefits of the weaker yen which helped it increase group sales by 9 per cent to Y552.6bn and return to the black.

Pre-tax profits were Y1.6bn compared with a loss of Y14.8bn while net profits came to Y2.5bn against a loss of Y9.9bn.

Although sales of car electronics were robust, the company has suffered from the decline in sales of its main-line laser disc products.

Pioneer, which is pushing through a restructuring, forecasts parent sales this year will increase from Y341bn to Y362bn and expects to post recurring profits of Y4.8bn against a parent loss of Y4.1bn.

Net profits are forecast at Y4.6bn against a net loss of Y10.7bn.

Competition and slow traffic damage KDD

By Michiyo Nakamoto

KDD, Japan's main international telecoms group, suffered a 14 per cent decline in profits because of sluggish international traffic growth and rate cuts in the face of fierce competition.

Consolidated sales rose 40 per cent to Y401.2bn ($3.51bn), reflecting increased revenues at a cable installation subsidiary.

Pre-tax profits for the group fell from Y34.3bn to Y29.4bn, while net profits dropped 7 per cent to Y12.9bn. Traffic growth was only 7.4 per cent for the year, compared with a forecast of 9 per cent.

Meanwhile intense competition in the Japanese market for international telecommunications traffic forced KDD to introduce significant tariff reductions during the year. This led to a Y11bn decline in operating profits.

Discounts for large volume users led to a further Y4bn decline in operating profits.

KDD, which is planning to enter the market for local calls in the near future, is increasing capital spending to Y104bn this year, compared with a record of Y67.9bn last year. The company is building an underwater loop it calls the Japan Information Highway, which would circle the Japanese archipelago.

Business is not expected to pick up much this year. While international traffic is forecast to grow only about 7 per cent, putting pressure on sales growth, rate cuts are expected to continue to hurt profits.

KDD forecasts sales will fall to Y380bn, pre-tax profits drop to Y22bn and net profits to Y10bn.

● *Japan Telecom, the* long-distance telecoms carrier, said pre-tax profits rose 6 per cent to Y44.5bn on sales of Y375.9bn, up from Y335.6bn. The company, which is to merge with International Telecommunications Japan, expects sales to rise to Y400bn but pre-tax profits to slump to Y41bn in the current year.

JR East posts modest first results

By Gwen Robinson in Tokyo

East Japan Railway (JR East), the largest of six railway companies spun off from the break-up of the government's JNR railway group in 1987, yesterday reported modest gains in consolidated revenues and profit for the year to March, on steady demand for high-speed train services and improvements in non-railway operations.

Consolidated recurring profit rose 3.8 per cent to Y119bn ($1.04bn) on operating revenues of Y2,513bn, up 1.6 per cent.

The group said last December's spin-off of its unprofitable convenience stores business had improved overall results for its non-railway operations.

JR East is saddled with substantial long-term loans, but made progress during the year in reducing the debt and improving the balance on financial items, said managing director, Mr Eiji Hosoya.

Transportation income, meanwhile, increased just 0.9 per cent to Y1,725bn.

After-tax profit rose 3.3 per cent to Y70bn, or Y17,665.37 on a per-share basis, while return on equity edged down to 10.2 per cent from 10.6 per cent.

The company plans to maintain its annual dividend at Y5,000 per share.

For the current financial year, JR East expects group recurring profit to fall 16 per cent to Y99.9bn and after-tax profit to fall 12 per cent to Y62bn, although sales are projected to rise 1 per cent to Y2,537.9bn.

The poor outlook is mainly due to an expected Y32bn increase in fixed-asset taxes, following the end of special tax breaks, and increased expenditure on personnel.

COMPANIES AND FINANCE: ASIA-PACIFIC

Mitsubishi maintains record results

By Gwen Robinson in Tokyo

Mitsubishi Heavy Industries, the largest of Japan's diversified shipbuilding, aerospace and heavy-machinery makers, yesterday posted record consolidated profits and sales for the third year.

Mr Yoshihisa Tsuda, vice-president, attributed the strong results to the yen's fall against the dollar and the success of cost-cutting.

He noted a surge in aircraft-related orders, which jumped more than 35 per cent on robust exports of aircraft parts.

MHI's consolidated recurring profit rose 16 per cent to Y208.95bn ($1.8bn), topping the previous year's record of Y180.15bn. Sales grew 4.3 per cent to Y3,142.4bn and after-tax profit surged 19 per cent to a record Y123.6bn.

Return on equity, meanwhile, rose to 10.3 per cent from 8.5 per cent. The company increased its dividend to Y10 from Y9.

MHI is Japan's leading defence contractor but has shifted its focus to aerospace, nuclear power-generating equipment and other areas amid the steady decline in domestic defence spending.

Total orders reached Y3,057.4bn, exceeding Y3,000bn for the first time mainly because of a 35 per cent increase in aircraft-related orders to Y468bn. Aircraft-related exports, meanwhile, jumped 71 per cent to Y82.6bn due to big orders from Boeing for parts for its 777, 767 and 737 aircraft.

Turnover in the shipbuilding and steel structure division, which represents less than one-fifth of sales, remained virtually stagnant on falling orders for new vessels.

For the current year, the company expects exports to offset a decline in domestic sales, with a projected rise of 5.7 percentage points in its export ratio to 34.8 per cent.

Recurring profit is expected to rise 1.2 per cent to Y195bn on sales of Y2,870bn, up 4.9 per cent. The yen's recent climb against the dollar could affect MHI's promising outlook if the Japanese currency moves higher than Y115, the company's exchange rate for the year.

● Fuji Heavy Industries, a carmaker with divisions manufacturing industrial machinery, aircraft and transport equipment, yesterday reported consolidated recurring profit in the year to March surged nearly 385 per cent to Y41.8bn, due to brisk sales of main-stay car models including the Legacy.

The yen's fall against the dollar during the year also boosted earnings, with foreign exchange gains on increased exports.

Group sales grew 13.5 per cent to Y1,223bn, while after-tax profit soared 104 per cent to Y38.5bn – the fourth consecutive increase as all Fuji Heavy's 62 domestic car dealers posted profits for the year.

Fuji Heavy will increase its annual dividend to Y7 from Y5.

For the year to March, the company expects record high recurring profit and sales. Recurring profit is expected to grow 14.3 per cent to Y39bn on sales of Y880bn, up 6.7 per cent.

Together the top five steel groups saved more than Y220bn

Cost cutting lifts Japanese steelmakers

By Bethan Hutton in Tokyo

Japan's integrated steel makers managed to stay in the black last year in spite of difficult world market conditions, due to huge reductions in costs.

Mr Stephen Wolfe, analyst at UBS Securities in Tokyo, said: "They had lower selling prices and higher input costs, and that normally spells disaster for a steel company. Japan is the only major steel industry where earnings were up rather than down, and the reason is exclusively restructuring – they took more out of their costs than they suffered from the squeeze."

Between them, the top five steel companies cut more than Y220bn ($1.93bn) of costs, even though this was the fourth year of restructuring, Mr Wolfe said.

Restructuring and downsizing costs continued to eat into net profits at Nippon Steel, the world's largest steelmaker, and the company said these costs would continue this year.

Recurring pre-tax profits grew 30.9 per cent to Y84.7bn on a non-consolidated basis, but net profits after tax dropped 19.5 per cent to Y19.9bn after extraordinary expenses. The extraordinaries included Y71.9bn of special retirement allowances, costs related to a fire at one plant, and the restructuring of Nittetsu Shoji, Nippon Steel's main steel trading arm.

Some of the extraordinary costs were offset by asset sales.

Steel sales slipped, but overall sales figures improved 4 per cent to Y3,184.8bn after a better performance from the engineering and construction divisions. The final dividend remained at Y2.5.

Nippon Steel's consolidated figures were hit by the continuing unprofitability of its semiconductor subsidiary. Consolidated recurring pre-tax profits fell 20.5 per cent to Y80.8bn, and after-tax profits were down 93.7 per cent to Y3.4bn.

Kobe Steel has cleared the deficit it incurred from the Kobe earthquake, but has not yet resumed dividend payments.

Unconsolidated recurring profit dropped 26 per cent to Y26.7bn, and after-tax profit was down 68.7 per cent to Y21.7bn, partly because of lower unit prices for steel products. Sales slipped 0.5 per cent to Y1,142.0bn.

Kobe Steel is also suffering from low chip prices at its semiconductor subsidiary, which contributed to a 64.3 per cent drop in consolidated recurring profit to Y20.98bn.

After-tax profits at NKK dropped 72.9 per cent to Y16.2bn, but recurring profits grew 13 per cent to Y34.3bn. The company resumed dividend payments after a four-year gap, with a full-year dividend of Y3. Sales grew 2.2 per cent to Y1,185bn.

NKK said the after-tax profit was affected by early retirement payments and asset disposals. It sees sales falling this year, but after-tax profits rising 11 per cent.

Sumitomo Metal Industries reported a 25.2 per cent drop in after-tax profit to Y12.1bn. But its recurring profits rebounded 10.8 per cent to Y22.4bn, in spite of sales 3.9 per cent lower at Y1,016.3bn. Sumitomo Metal said it saved Y39bn through cost-cutting but incurred losses on stock reappraisals.

The after-tax figure was hit by an extraordinary loss of Y37.2bn from assisting a subsidiary and renovating a plant. The loss was partly offset by an extraordinary gain of Y26.8bn from selling assets.

Recurring profits at Kawasaki Steel rose 41.8 per cent to Y23.6bn, and sales grew 1.8 per cent to Y944.7bn. But after-tax profits fell 52.8 per cent to Y10.1bn.

The company expects improved performance this year, with after-tax profits up at Y27bn on sales of Y975bn.

The industry has completed its fourth year of restructuring

Sony plans to sponsor UEFA in £10m deal

By Alice Rawsthorn

Sony, the Japanese electronics and entertainment group, plans to spend at least £10m ($16.4m) over three years sponsoring the UEFA Champions League, the world's largest soccer club tournament.

The deal with UEFA forms part of Sony's efforts to promote its PlayStation video games system and maintain its leadership of the competitive European video games market against Japanese rivals Nintendo and Sega. Until now Sony's marketing strategy for the PlayStation in Europe has concentrated on advertising and price promotion. It has sponsored a couple of cult sporting events, such as snowboarding tournaments, but the UEFA agreement is its first foray into mainstream sports.

The UEFA Champions League was broadcast live in 50 countries last year. Some 170m people watched each match in Europe, and 140m in other countries. The latest final, between Juventus of Turin and Borussia Dortmund next Wednesday will be the most watched club game in television history.

Mr David Patton, Sony European marketing manager, described the UEFA deal as "just the beginning" of a series of soccer sponsorships by PlayStation.

The announcement of the UEFA agreement coincided with the news that PlayStation sales had surpassed 1m units in the UK, bringing the total sold in Europe to more than 3m. Some 13.5m systems have been shipped worldwide.

When Sony launched the PlayStation in Europe in autumn 1995, its chief competitor was the Sega Saturn, another 32-bit games console. Another rival emerged earlier this year in the Nintendo 64, which uses more powerful 64-bit technology.

Sony slashed the price of the PlayStation in the UK by £70 to £129.99 on the eve of the Nintendo 64's launch, but the latter's price was recently reduced by £100 to £149.99.

ASIA-PACIFIC NEWS DIGEST

Japan Tobacco makes new record

The Japanese government's first steps in launching anti-smoking measures did little to damp profits at Japan Tobacco, the country's cigarette-manufacturing monopoly, in the year to March. The formerly state-owned company, which maintained sole right to produce tobacco in Japan even after privatisation in 1985, announced its fourth consecutive record recurring profit of Y136.76bn ($1.2bn), up 17.5 per cent. Sales rose nearly 3 per cent to Y2,735bn. *Gwen Robinson, Tokyo*

Wharf restates profits

Wharf Holdings, the Hong Kong property and infrastructure conglomerate, has been forced to restate its profits for last year in the wake of two litigation cases. Appeals are being made in both cases, prompting a general provision charge of HK$500m (US$64.62m) – or one-fifth of net profits as they were initially stated.

The blow comes after Wharf, reporting its annual earnings of HK$2.74bn in March, prompted a wave of downward revisions in analysts' estimates for the current year. Losses at the company's cable TV arm were higher than had been expected while property sales were lower.

Wharf has been involved in two long legal battles, one in Hong Kong and one in the US. Yesterday it said "significant developments" had prompted the decision to make a general provision in last year's accounts. *Louise Lucas, Hong Kong*

Cost cuts boost Asahi Glass

Asahi Glass, Japan's leading glassmaker, saw consolidated recurring profit increase almost 25 per cent to Y50bn ($438m) last year on steady sales and sweeping cost cuts. Net sales rose from Y1,278bn to Y1,337bn driven by strong demand from the construction sector. However, after-tax profit slipped to Y24.1bn from Y24.8bn. Analysts said savings of about Y9bn from cuts in distribution and materials costs had more than offset an increase in fuel prices. *Gwen Robinson*

Fernz sells fertiliser unit

Fernz Corporation, the New Zealand pharmaceutical and agricultural chemical group, is to invest in further international chemical companies, after deciding yesterday to quit its New Zealand fertiliser manufacturing operations. Fernz is selling its fertiliser distributing and manufacturing businesses for NZ$105m (US$73m) to two New Zealand farmer-owned co-operatives. *Terry Hall, Wellington*

Head for Inchcape Pacific

Mr Raymond Ch'ien, a member of Hong Kong's Executive Council, has been named non-executive director of Inchcape of the UK and chairman of Inchcape Pacific, the distribution group's Hong Kong subsidiary. Mr Ch'ien succeeds Mr Paul Cheng who is retiring at the end of May. *AFX-News, London*

Fall in bad loans spurs insurers

By Gwen Robinson

Japan's leading non-life insurers saw combined after-tax profits increase 10.3 per cent in the year to March, due to cost-cutting and a slowdown in bad-loan write-offs. Net premium income rose 3.5 per cent to a combined Y3,917.61bn ($34.29bn).

The entire insurance industry is bracing for liberalisation following last year's US-Japan bilateral agreement to open the market and abolish rate-setting bodies. The rating associations have long determined industry-wide premium rates for specific risks, and were strongly criticised by US negotiators as a form of cartel that has allowed non-life insurers to maintain high rates and prevent competition.

Combined recurring profit at the top five insurers fell 2.2 per cent to Y257.28bn, due partly to poor investment returns from extremely low domestic interest rates. However, the figure would have been much lower had it not been for a change in accounting standards, due to technical factors, following the revision of Japan's insurance business law last April, which changed the scope of items covered by the pre-tax account.

Mr Paul Heaton of Deutsche Morgan Grenfell, said: "The major item was the recognition of securities gains as ordinary, rather than extraordinary, income."

Tokio Marine and Fire Insurance, the largest of the five with an 18 per cent market share, recorded an after-tax profit of Y30.7bn, up 8.4 per cent. Yasuda Fire and Marine Insurance, Mitsui Marine and Fire Insurance and Sumitomo Marine and Fire Insurance all reported increases of more than 10 per cent in their after-tax profits. The companies saw a decrease in insurance payments because of the fall in the number of accidents and disasters.

Only Nippon Fire and Marine Insurance, the smallest of the five, reported a fall in after-tax profit of 2.3 per cent, partly because of a fall in profit from its core insurance business.

All five experienced a surge in purchases of car and fire policies on the consumer rush to buy cars and houses before the April 1 increase in sales tax to 5 per cent from 3 per cent.

Emphasis will be on building up its television interests and expanding internationally

Granada rules out media demerger

By Raymond Snoddy

The Granada Group has ruled out a demerger of its television interests for the forseeable future following a detailed review of the company's structure. Until recently, senior management at the hotels, catering, rental and television group were seriously considering a demerger.

Instead, the emphasis will be on building up the television business and redoubling efforts to expand internationally.

The company is also in negotiations which could lead to the sale of its computer services operation. A number of companies have expressed an interest in the business, which makes profits of about £7m ($11.3m) a year.

Granada would expect to get £80m-£90m for the company, although that may turn out to be optimistic.

Granada, whose chairman is Mr Gerry Robinson, considered a television demerger because the group had become primarily a leisure sector business following its acquisition of the Forte hotel group last year. Executives feared the value of the television business would be held back by the lower rating of the leisure sector.

Senior Granada managers, who put demerger on the agenda late last year, thought at the time that it was as likely to happen as not, and that any move should take place quickly, preferably in 1997.

Now, however, demerger seems to be off the agenda for the next three to five years, unless circumstances change markedly.

The decision might for now protect Granada's rental business from being sold. If the company had decided to split in two – a "pure" television business and a hotels and catering company – the low growth rental company would almost certainly have been sold.

As part of its international expansion, Granada entered the North American television production market earlier this month with the creation of Granada Entertainment USA.

The Los Angeles backed operation will be run by Mr Scott Siegler, former president of Columbia Pictures Television. On Monday Granada announced that an adapted version of Cracker, its award-winning crime series, had become the first British drama to be made into a network series in the US for American audiences.

Lex, Page 24

LEX COMMENT

Storehouse

It will be a long time yet before investors get excited about Storehouse. But given the lather of pessimism that has recently engulfed the stock, it is some consolation to know that the market's worst fears were exaggerated. Partly this is a question of numbers: the 1996-7 figures contained no shocks, and current trading is better than expected. But presentation also played a role: with sentiment in tatters, the sure hand of Mr Alan Smith, the chairman, was welcome. Improved disclosure, laced with a measure of humility about past failings, also went some way towards restoring confidence.

The key issue now is whether the group can shift from recovery to growth mode. Heavy investment in people, systems and store refurbishments is a necessary beginning. It should have started sooner, but at least it scotches fears that the group is interested only in garnering short-term profits through cost-cutting. But progress from here will be slow. Mothercare may have a strong market position, especially in equipment, but the children's wear market remains very difficult. And while the "millennium" store concept looks promising, the management has yet to produce a compelling vision for where BHS belongs on the high street. Still, none of these reservations justifies the share's being rated at a 40 per cent discount to the market. These ratings are assuming profits of below £100m in the current year when even the gloomier analysts are forecasting around £125m.

Delius Trust supports Boosey

By David Blackwell

The spirit of Frederick Delius yesterday joined a chorus of small shareholders urging Boosey & Hawkes, the music publisher and instrument maker, to fight for its independence against a threatened sale.

Mr Martin Williams, a trustee of the Delius Trust, told the annual meeting that the composer – whose music evokes regret for times past – had links with Boosey dating back to 1910. "We are concerned that the service we receive will deteriorate if the group is taken over."

Two years ago the trust, set up after Delius' death in 1934 in order to promote his music and that of other British composers, renegotiated its contract with Boosey following the extension of publishing copyright from 50 to 70 years. Mr Williams said that "as prudent trustees we would have given the matter some very careful thought" if they had known the group would be put up for sale.

His concerns were echoed by other small shareholders, including former employees and members of the Boosey family that founded in the group in the 1760s as a London sheet music library.

They were critical of the decision taken earlier this month by Carl Fischer, the New York based music publisher that owns 45.3 per cent of Boosey, to put itself up for sale following the death of Mr Walter Connor, its president and Boosey's non-executive chairman. Any company acquiring Fischer will be obliged to bid for the rest of Boosey which owns a catalogue of 20th century composers.

Mr Donald Mackenzie, a director of Fischer and a member of the ruling family, told shareholders that the family was "very cognisant of your concerns and we are certainly taking them into account."

Glenmorangie unruffled by GMG

By John Willman, Consumer Industries Editor

Mr Geoffrey Maddrell, chairman of Glenmorangie, the last quoted independent single malt Scotch whisky producer, said that he saw no threat from the proposed merger of Grand Metropolitan and Guinness, announced last week.

"We are not competing in the market for 1m case brands," he said. "But there will be opportunities for us if their eyes move off the ball."

He spoke as Glenmorangie said strong sales growth had helped raise pre-tax profits 19 per cent to £7.8m ($12.6m) in the year to March.

Despite stagnant spirit markets in the UK and US, turnover rose 19 per cent to £45.1m, with a 45 per cent increase in cased sales. Bulk sales to blenders fell 22 per cent to boost stocks to meet growth in bottled sales.

Longer term, Mr Maddrell, the first chairman of the company not to be a member of the controlling Macdonald family, said the formation of GMG Brands would change the industry.

But the growth strategy introduced after he became chairman at the end of 1993 had made the company more flexible and market-oriented.

Glenmorangie remains the top single malt in Scotland, and in the year raised its share of the UK and US markets. Advertising and promotion was raised from 17 per cent of sales revenue to 19 per cent.

The company remains optimistic about prospects in China where it has established production and distribution facilities. But it took a provision of £175,000 against its Indian operations where trading conditions were much more competitive.

James Gray

On a roll: Glenmorangie has extended the range of fancy barrels used for finishing its malts

Cash-rich Vosper set for acquisitions

By Tim Burt

Vosper Thornycroft, the shipbuilder and engineering group, is planning to spend up to £200m ($324m) on acquisitions to reduce its dependence on warship production.

The company, which yesterday reported an 11 per cent rise in annual profits, has asked NatWest Markets to draw up a list of takeover candidates and hopes to complete "a significant deal" before the year-end.

Mr Martin Jay, chief executive, said: "We are now feeling more confident about our ability to handle a big acquisition, preferably in facilities management, electronic controls or maritime products." Such an acquisition would be funded by a mixture of cash and shares.

The plan signals Vosper's biggest step so far in developing non-shipbuilding activities – a strategy involving a series of bolt-on acquisitions in recent years.

Increased contributions from businesses such as naval training and Maritime Dynamics – the ride control company acquired for £4m last year – helped lift pre-tax profits from £27.7m to £30.7m on sales of £240.7m (£237.8m) in the year to March 31.

That offset lower underlying profits in the core warship business, which fell from £19.9m to £18m following the completion of vessels for Saudi Arabia and Qatar.

The group's failure to win new warship orders has cut the order book from £400m to £300m, although Mr Jay said the company could rely on about £100m of spares and maintenance contracts in the coming years.

He was also confident of further minehunter orders from the Saudi government – which has an option over three vessels – and an estimated £100m Qatar contract for patrol craft.

Future order prospects also include a new royal yacht, although Vosper believes the Labour government is more likely to embrace the idea of a national training ship than a replacement for Britannia.

Profits from non-core activities are expected to rise from 28 to 40 per cent of the group total. Such contributions last year helped lift operating profits from £20.8m to £24.9m, including £674,000 from Maritime Dynamics.

Exceptionals push Storehouse lower

By Peggy Hollinger

Storehouse shares rose more than 3 per cent yesterday, reversing some of their recent sharp decline as the Mothercare and BHS retailer announced a 9 per cent rise in annual profits before exceptionals to £118.3m ($192m).

The shares closed 7p higher at 223½p, largely because of relief that there were no unpleasant surprises, said analysts. "The market was expecting something rather more macabre," said Mr Sean Eddie of NatWest Securities. "In fact, the numbers were fine."

However, analysts downgraded expectations for the current year from about £135m to a range of £127m-£129m following the company's signal that higher costs would hold back margin improvements.

Mr Keith Edelman, chief executive, said the cost increases marked stage two of a recovery story which had seen the group's return on sales rise by 30 per cent over the past five years. Storehouse planned to invest £120m in modernising store information systems and shopping formats, which would result in about 1,000 new jobs.

He admitted that Mothercare, which contributed some 26 per cent of sales, had turned in disappointing results, partly because of management failures. BHS, too, had failed to take advantage of the fashion trend in the children's market wear for branded sportswear.

But, he said, "we are taking action to improve our competitive performance" in a market which had been difficult for all players.

The group reported a 15.3 per cent rise in sales to £1.25bn for the year to March 29. Excluding disposals and acquisitions, sales rose by 7.1 per cent.

Exceptional charges of £20.5m for the restructuring of Children's World, bought last May for £62.5m, and the sale of men's wear business Blazer, left pre-tax profits £12.1m lower at £97.8m.

Analysts said the shares had also been affected by the negative sentiment which investors had towards the retail sector at the moment.

PowerGen in search of a big acquisition

By Simon Holberton

PowerGen, Britain's second largest electricity generator, hit the acquisition trail yesterday, saying the days of share buy-backs were over.

Mr Ed Wallis, chief executive and chairman, told analysts the company was on the look-out for a big acquisition. It was considering a number of opportunities and would pounce if the price was right, he said.

PowerGen has been mentioned as a bidder for Centrica, the gas supply business of the former British Gas. But Mr Wallis told reporters that PowerGen would still consider the purchase of a regional electricity company, although he indicated no urgency.

"As for buying Southern Electric, well, we have a new government and who knows if their view is the same as the past government or what? It is too early to say," he said.

Just over a year ago, PowerGen was blocked from acquiring Midlands Electricity after Mr Ian Lang, the then trade secretary, blocked the deal saying it was anti-competitive.

Mr Wallis said PowerGen was achieving the strategic benefits of owning a rec by the long-term supply deals it was putting in place with a number of regional electricity companies.

"A distribution business is of no strategic value to us, but the advantage is the return you get from owning it. In financial engineering terms it contributes quite a bit."

Mr Wallis made his comments as PowerGen unveiled annual results towards the top of analysts' expectations. Profit before tax and exceptionals rose 2 per cent from £566m ($917m) to £575m, on turnover down 3 per cent from £2.93bn to £2.85bn. A final dividend of 17.4p makes a total of 25.2p (21p).

The company also announced two foreign projects: a £388m power station of 450MW in Indonesia in which it has a 40 per cent interest; and a £878m power station of 1,400MW in Thailand in which it has a 30 per cent interest.

The company had a less than thrilling year internationally. Profits were held constant at £12m and were flattered by an £8m profit on the sale of an interest in its Portuguese power station.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for 22.05.1997: Pool purchase price £/MWh	Final Prices for Trading 25.04.1997: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	13.83	18.38	18.53	0.73
0100	13.83	11.66	11.85	0.90
0130	13.83	17.74	17.88	0.73
0200	13.83	19.77	19.92	0.73
0230	13.83	19.77	19.92	0.73
0300	13.83	19.77	19.92	0.73
0330	13.83	19.77	19.92	0.73
0400	13.83	19.77	19.92	0.73
0430	13.83	19.77	19.92	0.73
0500	13.83	18.38	18.53	0.73
0530	13.80	18.25	18.40	0.73
0600	13.80	18.25	18.40	0.73
0630	13.80	18.25	18.40	0.73
0700	11.98	21.99	22.14	0.73
0730	15.21	24.49	24.66	0.73
0800	26.23	26.91	27.14	0.73
0830	24.32	36.36	36.51	0.73
0900	26.86	38.41	38.70	0.73
0930	26.15	27.18	27.48	0.73
1000	27.58	27.25	27.55	0.73
1030	35.94	27.21	27.51	0.73
1100	35.80	27.18	27.48	0.73
1130	35.61	27.19	27.49	0.73
1200	35.51	27.21	27.51	0.73
1230	29.87	25.08	25.36	0.73
1300	25.61	24.92	25.16	0.73
1330	24.07	24.77	24.97	0.73
1400	23.23	24.52	24.69	0.73
1430	22.80	24.03	24.20	0.73
1500	23.16	24.02	24.16	0.73
1530	23.16	23.34	23.50	0.73
1600	23.00	23.24	23.50	0.73
1630	22.00	23.35	23.51	0.73
1700	23.00	23.35	23.52	0.73
1730	23.15	24.02	24.18	0.73
1800	22.72	23.80	23.96	0.73
1830	22.68	23.79	23.84	0.73
1900	20.50	23.78	23.94	0.73
1930	16.05	23.78	23.94	0.73
2000	16.05	23.78	23.94	0.73
2030	16.05	22.08	22.24	0.73
2100	16.05	23.78	23.94	0.73
2130	16.05	52.28	52.43	0.73
2200	16.05	52.28	52.43	0.73
2230	16.05	39.19	39.34	0.73
2300	16.05	35.22	35.38	0.73
2330	16.05	19.05	19.21	0.73
2400	16.05	13.86	14.01	0.73

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process [illegible]

Energy Settlements and Information Services Limited

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Acatos & Hutcheson ... 6 mths to Mar 30	139.4	(147.3)	3.25	(3.01♥)	5.7	(6.9)	4	July 21	3.5	-	10
Airflow Streamlines ... Yr to Feb 28	*105*	*(101.5)*	*2.1*	*(5.14)*	*15.74*	*(37.41)*	*6*	*July 21*	6	8	9
Bett Brothers ... 6 mths to Feb 28	16	(14)	1.11	(1.73)	5.61	(8.89)	1.9	July 21	1.75	-	5.6
Boustead ... Yr to Mar 31	10.8	(24.5)	7.75L♠	(4.22♥)	12L	(6.4)	nil	-	0.65	-	1
Brockhampton ... Yr to Mar 31	27.7	(27.4)	8.6♥	(7.91)	11.6	(11.4)	2.75	Aug 14	2.1	4	3.14
Brooke Industrial ... 6 mths to Mar 31	15.2	(10.6)	0.697	(0.304)	7.6§	(6.6)	1.5	-	0.9§	-	2.9§
Car ... 6 mths to Feb 28	68.3	(69.9)	2.1	(2.98)	5.1	(-)	1.56	July 2	-	-	-
Calsis Intl ... Yr to Mar 31	11.1	(5.15)	5.52L♠	(5.99L)	6.54L	(8L)	-	-	-	-	-
City of London PR ... Yr to Mar 31	2.45	(2.8)	1.02♥	(0.92♥)	9.43	(8.63)	3.9	July 29	3.54	5.6	5.08
Farringford ... 51 wks to Feb 21	1.69	(1.24)	0.111L	(0.011♠)	0.45L	(0.11L)	-	-	-	-	-
Glenmorangie ... Yr to Mar 31	46.1	(38.8)	7.8♠	(6.57♥)	41.26	(39.97)	10.175	July 25	9.25	13.2	12
London Forfaiting ... 6 mths to June 30	-	(-)	-	(-)	-	(-)	6	June 9	3.7	-	11.2
PowerGen ... Yr to Mar 30	2,855	(2,933)	577	(687♥)	64.2‡	(71.4)	17.4	July 31	14.5	25.2	21
Southnews ... Yr to Mar 29	37	(28.8)	6.33	(3.38)	26.61	(14.62)	5.5	Aug 1	4.05	7.75	5.81
Storehouse ... Yr to Mar 29	1,250	(1,084)	97.8♠	(109.9)	15.2	(17.8)	4.8	Aug 14	4.2	8.1	7.2
Vaux ... 24 wks to Mar 15	134.6	(125)	15.2♠	(13.3)	8.33	(7.23)	3.7	July 7	3.56	-	10.6
Vosper Thornycroft ... Yr to Mar 31	240.7	(237.8)	30.7	(27.7)	61.9	(57.9)	18.5	Aug 13	16.7	26	23.5
York Waterworks ... Yr to Mar 31	8.62	(8.5)	3.37	(3.17)	34.3	(32.4)	8.6	July 22	7.9	12.8	11.75

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Emerg Asia ... 6 mths to Mar 31	82.24	(84.28★)	0.105L	(0.051L)	0.26L	(0.13L★)	-	-	-	-	-
Brunner ... 6 mths to May 31	-	(-)	-	(-)	-	(-)	2.6	June 9	2.9	-	6.3
Fleming Mercantile ... 3 mths to Apr 30	-	(-)	-	(-)	-	(-)	2	Aug 1	1.9	-	8.7
Jupiter Geared ... Yr to Mar 31	41.26	(35.9)	1.14	(1.1)	8.11	(7.65)	3.535	June 20	3.325	7.998	7.788
Renaissance US ... 14½ mths to Mar 31	100.87	(97.64♦)	0.38	(-)	1.83	(-)	1.25	July 31	-	1.25	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. §After share consolidation. ‡On reduced capital. ★Restated. ♦At May 29 1996.

Reed shares fall on US copyright ruling

By Raymond Snoddy

Reed Elsevier, the Anglo-Dutch information and media group, insisted yesterday that a US judicial ruling on the copyright of legal texts would have a "minimal effect" on the company.

Shares in Reed International fell 18p to 607½p as analysts at Merrill Lynch downgraded the stock and a New York Times report raised doubts over the future of Reed Elsevier's Lexis-Nexis database.

The sharp fall in the shares followed news that West Publishing, bought by Thomson Corp for $3.4bn last year, had lost much of its US copyright protection as a result of a Federal Court ruling.

In January Reed bought about 40 legal publications from Thomson.

The New York Times said that a decision by Judge John Martin in the Federal District Court of Manhattan allowed rival publishers to scan electronically court decisions published in West's law books and republish them.

Analysts feared the ruling, which will be appealed, might reduce copyright protection for Lexis-Nexis.

Reed said that although the ruling clearly rebuffed West's long-asserted right to protection it would have "minimal impact on Reed Elsevier and its electronic legal publishing".

هكذا من الأجل

MANAGEMENT

Engineering leaders

Every month David McMurtry, chairman and chief executive of Renishaw, the world leader in specialist measuring probes, presides over an ideas meeting that supplies the company's lifeblood.

The product development meetings of the UK company typically review about 20 ideas, many suggested by McMurtry himself. Usually half the suggestions go forward for development.

This emphasis on product development is a defining characteristic of the 20 outstanding medium-sized engineering businesses in Germany and the UK studied by the Financial Times for this series.

Renishaw, founded by McMurtry in 1973 and now with 1,000 employees and sales of $120m, originally made measuring systems for machine tools. Energetic product development has meant that in recent years it has moved into specialised microscopes and calibrating instruments for woodworking, dentistry and gemstone production.

At any time McMurtry is considering hundreds of ideas for products. He puts them in three categories: "doing, planning and dreaming". Every so often ideas move into the "doing" category. A current project is a robot for keeping machine tools stable.

It is a matter of spotting problems and matching them with the technical possibilities, he says.

The constant quest for new ideas can be seen at Prominent, the German company which is the world's biggest maker of specialist metering pumps. Viktor Dulger, the company's founder and owner, recently became an expert on fish farming. Dulger has sold 50 of his company's pumps, all specially adapted, for a fish farm in Darien, China, close to Prominent's Chinese factory.

"In searching for new ideas, you have to look outward," says Dulger, who regards himself as a salesman as much as an engineer. He is investigating another new use for his pumps – feeding special odours into the air-conditioning in supermarkets and warehouses.

Dulger started his company in Heidelberg in 1960. He was convinced, after a two-year spell in a milk factory, that there was a need for electrically powered pumps which could handle liquids with an accuracy of up to a fifth of a millilitre.

The company, which now has annual sales of $141m, makes its pumps in 2,500 variations. About 60 per cent are sold to sewage treatment or water works. Other applications include food preparation, domestic goods and medical equipment.

Vitec, a UK company which is the world's biggest maker of camera mounting equipment, has its own system for making sure product ideas circulate between different parts of the group.

A committee of technical people meets every three months somewhere in Europe. It brings together the four parts of the company, which are based in Paris, Munich, Venice and Suffolk, in the UK. The meetings act as a sounding-board for new ideas.

"A theorist might advise bringing all the four parts together in one big factory in the middle of Europe," says Malcolm Baggott, Vitec's chief executive. "But this would interfere with the sense of ownership that's important for the business as a whole."

Often companies find they can use technical ideas from existing product areas for a new application. This has been the case for Netzsch, a company in Selb, northern Bavaria, which is the world leader in filters for the ceramic industry and makes specialist pumps and grinding systems. Netzsch recently fed developments from its existing products into a division making mixing systems for the ink and paint industry.

The company, established in 1873 and family-owned, is adapting its pumping technology for a bizarre application – a pump for factory ships off the coast of Peru which combines high power and gentle handling to move thousands of fish a minute without chewing them up.

Huntleigh, a UK company, has used the same tactic of adapting technical ideas to new applications. The company is among the largest in Europe making special pressurised mattresses designed to prevent invalids getting bed sores. It has employed some of the electronic techniques used in the sensing equipment in the mattresses for a new set of instrumentation products. These include handheld scanners for monitoring foetuses and other equipment for medical use.

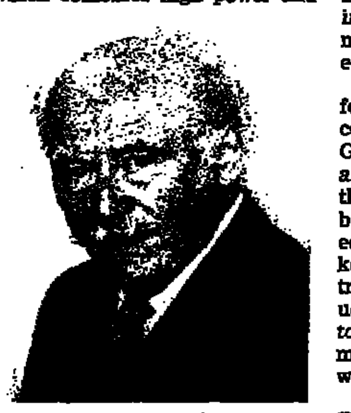
Rolf Schild, the German-born founder and chairman of the company, has firm views on why German engineering companies are generally more successful than their UK counterparts. He believes British engineers are equally brainy, but are not as keen to "get their hands dirty" in translating ideas into new products – a view McMurtry is bound to disagree with as he prepares to move his next batch of brainwaves to the "doing" stage.

The next article in this series will appear next Friday.

Probing: McMurtry, the founder of Renishaw, has hundreds of ideas for new products under consideration

Tinderboxes for inspiration

Peter Marsh looks at the methods which leading engineering companies use to nurture innovation



Selling: Dulger sees himself as a salesman as much as an engineer

How to turn an average worker into a star

Networking, self-management and showing initiative can all be taught, finds **Vanessa Houlder**

A century ago, the productivity of manual workers was overhauled by the introduction of "scientific" management methods. Now it is the turn of the so-called "knowledge workers" to have their productivity scrutinised.

Why, management theorists wonder, are some professionals so much more effective than others who appear equally bright and hard-working? What would improve the performance of people such as scientists, programmers and designers whose work involves specialist expertise, problem-solving and creativity?

These questions are fraught with difficulty. Peter Drucker, the management thinker who coined the phrase decades ago, has repeatedly pointed out that there is still no satisfactory definition of productivity for knowledge workers.

Moreover, businesses are often reluctant to exhort their knowledge workers to be more productive, fearing that if employees are pushed too far, they may withhold their best ideas or even leave the company.

Nonetheless, research in the US has come to some intriguing conclusions about the performance of knowledge workers, which implies that people can learn to improve their productivity.

One study began in 1986 at Bell Laboratories, now Lucent Technologies. As a famous research institution, Bell Labs was able to recruit very high-calibre staff. Yet it was not obvious to the lab managers why some staff proved exceptional while others were merely solid performers.

Two researchers, Robert Kelley and Janet Caplan, wanted to test their hunch that high-fliers would be found to have some natural advantages, such as high levels of intelligence or motivation. But tests told them nothing. "We found absolutely nothing. Not one single test predicted performance," says Caplan.

They then asked individuals to pinpoint the factors that made people successful to see if the high performers gave different answers.

Some clear themes emerged. The most important factor, the high performers suggested, was a willingness to take the initiative. The second most important factors were networking and self-management, followed by an ability to give a good presentation and a flair for organisational diplomacy.

The importance of these factors has been underlined by a UK research project this year by DDI, a development consultancy. It consulted 218 knowledge workers, including engineers, legal specialists, software developers, scientists, accounts and technicians. They broadly agreed with the Bell engineers' assessment of the skills necessary for success.

Businesses are often reluctant to exhort knowledge workers to be more productive

But do these studies really prove anything? Since the definition of high performers relied on the viewpoint of managers, there is a risk that the studies focused on people who are politically astute rather than genuinely productive.

There is some justification for this. Kelley and Caplan found that the engineers' own peers only agreed with the managers on half the people who were rated as top performers.

But the researchers argue that the opinion of managers is the only sensible way of assessing productivity.

Moreover, the Caplan and Kelley study revealed some telling differences between the answers given by the stars and those of their less successful colleagues. The middle-ranking engineers thought that presentational skills and understanding how the organisation works were crucial to success, while the best performers deemed these skills useful but not essential.

Furthermore, the middle performers had a poor understanding of what was meant by initiative, which the better employees interpreted as taking risks and going above and beyond the call of duty. Star performers also had a more enterprising attitude to networking.

Kelley and Caplan reckoned that the important skills, such as initiative, networking, self-management, teamwork and organisational diplomacy – could be taught. They organised six half-day sessions around these topics.

The success of this training was monitored by the managers of the 300 course participants and the control group, who were asked to fill in performance surveys before training began and eight months after its completion. The result was that participants more than doubled their productivity compared with non-participants.

But Caplan admits that its success depends on having a workforce that is already highly skilled and motivated. It is unlikely to work in organisations where people feel that their productivity and good ideas are insufficiently rewarded.

Moreover, she warns against giving knowledge workers rigid prescriptions about the best way to work. "People who do their job well do it in different sorts of ways," she says. "It is very important to respect that."

Convincing knowledge workers – who tend to be particularly intelligent and sceptical – that productivity depends on networking and displays of initiative may not be easy. Indeed, Caplan acknowledges that it is not possible to turn every average worker into a star.

Nonetheless, she is convinced that it is not what you are but how you work that counts. "High performance is less dependent than people think on innate gifts," she says. "It is extremely dependent on everyday work strategies."

INTERNATIONAL CAPITAL MARKETS

Prices fall further on heavy US selling

GOVERNMENT BONDS

By Richard Lapper in London and Jane Martinson in New York

European and US prices fell further yesterday amid continued reports of heavy sales by US investment banks and hedge funds. Traders said a *number of institutions that* have borrowed cheaply in yen to invest in US and European bonds were unwinding their positions ahead of expected increases in Japanese interest rates later this year. Some hedge funds were also said to be liquidating bond positions in order to cover losses in the currency markets.

"The leveraged element of the market has been selling in the 10-year area," said Mr Alex Cooper, manager with Tullett & Tokyo in London. "Activity has picked up sharply and we have seen liquidations," he added, pointing to relatively high volumes in the Liffe trading pits.

Mr Mark Fox, chief European strategist at Lehman Brothers, *said yesterday's* selling was "yet another shock wave" from this month's moves in the currency markets which saw the yen strengthen against the *US dollar*. "You can't move two major currencies that quickly without expecting major consequences. We are in a very fragile market environment," he said.

GERMAN BUNDS fell sharply in the early afternoon, with the June bund future at Liffe settling at 100.72, down 0.50.

ITALIAN BTPS and SPANISH BONOS were weaker, underperforming bunds. The June BTP future lost a point to settle at 129.45, while in Barcelona the June bono eased 0.60 to settle at 115.20.

UK GILTS fell sharply after a *disappointing* response to the auction of £1.5bn 8 per cent gilts due 2021. The auction attracted cover of only 1.29 times with a yield tail of four basis *points*. Over the day, yields on the auctioned gilt rose by 15 basis points to 7.47 per cent, compared with a 13 basis point rise for the 10-year benchmark. On Liffe *the June long gilt future lost* $1\frac{3}{16}$ to settle at 111⅝.

Mr Nigel Richardson, senior bond strategist at Yamaichi, said the auction response showed that investor enthusiasm "had got out of hand" during this month's rally in the gilts market.

US TREASURIES fell at mid-session yesterday, with the benchmark 30-year bond hovering just below the *important 7 per cent yield* barrier. It fell $\frac{5}{16}$ to $95\frac{11}{32}$, pushing the yield to 6.983 per cent.

Traders said sellers continued to be dominated by hedge funds unwinding positions based on the strong dollar against the yen and those who had bet on interest rates being raised on Tuesday.

Mr Kevin Sluder, head of trading and sales at First Chicago capital markets, said the market would need a shove from either earnings or economic figures before it made it through the "psychological barrier" of 7 per cent.

This week's trend for the yield curve to steepen continued: the two-year bond fell $\frac{1}{16}$ to 100¼, yielding 6.216 *per cent*, while the 10-year note fell $\frac{5}{32}$ to 99¾, yielding 6.738 per cent.

■ Liffe, the London-based financial futures and options exchange, yesterday *resumed* trading in the December 1997 maturity of its future on Italian BTPs, writes Samer Iskandar.

The new contract will have a notional coupon of 8 *per cent, down from 12 per* cent previously.

The June and September maturities, which still have an underlying coupon of 12 per cent, are trading at prices of more than 130 per cent of their par values.

Yields of BTPs have declined sharply in the past two years on hopes that membership of European Economic and monetary union would bring Italian interest rates in line with Germany's.

Liffe's BTP future had been trading above par since October 1995.

The 8 per cent coupon will bring Liffe's BTP futures prices in line with the cash BTP market where the current 10-year benchmark bond, with a coupon of 6.75 per cent, is trading slightly below its par value.

Brazil revives talk of Brady bond demise

By Edward Luce

Market speculation about the decline of the Brady bond has been revived by Brazil's decision to exchange up to $1bn of its Bradys for a 30-year global bond issue next month.

The move, announced by Brazil on Wednesday, trails similar Brady swap transactions by Mexico and the Philippines last year. It also follows a series of less-publicised Brady buy-back operations in the last few months by Poland, Panama and Ecuador.

Yet, in spite of the favourable judgment of the markets, analysts say it is premature to talk about the death of Brady bonds. With less than $5bn swapped so far, Brady retirements have barely dented the market. At *$150bn, total outstanding* Bradys still far outweigh their counterparts in the eurobond market for sovereign emerging market debt.

"The Brady market is obviously declining but it is going to be a very long and slow death," said Ms Helene Williamson, director of fixed income at Foreign & Colonial emerging markets in London. "There is no way that much more than a fraction of the Brady market is going to be retired in these sorts of operations."

Is it simply death by a thousand cuts, therefore? Mr *Richard Gray, emerging* market economist at the Bank of America, says Bradys are likely to fade into insignificance quite rapidly. The convergence between Brady and eurobond spreads is gathering intensity he says. The upshot will be a gradual merging of the two assets classes.

"Our strategy is to arbitrage the difference between eurobonds and Bradys," said Mr Gray.

"This will have much more impact on the Brady market in the long-run than minor buy-backs or Brady exchange operations."

However, with the spread on Brazilian par bonds tightening from 538 basis points over US Treasuries on Tuesday to just 477 points yesterday, Brazil's move was still well received.

Although much of the Brady *market's* rally was triggered by the US Federal Reserve's decision to leave US interest rates unchanged on Tuesday, Brazilian Bradys still outperformed the market.

"The [proposed] exchange will *definitely* raise Brazil's profile but it is unlikely to have much impact on the Brady market as a whole," said one syndicate official. "From Brazil's angle it is likely to enhance its creditworthiness."

Most notable is Brazil's decision to join Mexico and Columbia by extending its yield curve to 30 years. With US Treasuries on hold after *the FOMC meeting last* Tuesday, the timing for the issue is considered good.

Under the "Dutch auction" system for the exchange, Brazil has set a floor on bids *of 300 basis points* over 30-year Treasuries.

After the June 3 deadline for the bids, Brazil will set a clearing price for the global issue. Theoretically, it could total up to $26bn, although traders say it will almost certainly be less than $2bn.

RIBS launches first French franc deal

INTERNATIONAL BONDS

By Samer Iskandar and Edward Luce

Primary market activity was disrupted yesterday by a surge in volatility early in the European afternoon, soon after the start of trading in New York.

RIBS, the special-purpose vehicle set up to buy European government securities and issue securities backed by its holdings, yesterday launched its first franc-denominated transaction, FFr1.5bn of bonds maturing in November 2002.

Deutsche Morgan Grenfell, which led the issue jointly with Crédit Commercial de France, said: "The deal has sold very well and we do not have any paper left."

Because the securities are collateralised by sovereign bonds they have a zero capital weighting, meaning investors do not have to hold any capital provisions against their holdings. Both lead managers said this was a favourable selling factor.

CCF said the issue attracted money market investors, who typically buy shorter-dated paper, mainly money market funds and corporate treasurers. DMG also saw demand outside France, notably from the Benelux region and the UK.

The transaction was the fourth by RIBS. The others were in D-Marks, sterling and Swiss francs.

CREDIT SUISSE FIRST BOSTON also tapped the franc sector, with FFr750m of perpetual bonds. The securities pay a coupon of 6.5 per cent for 10 years, after which the borrower can redeem them or switch to a *floating-rate coupon* with a margin of 170 basis points over Paris interbank rates.

CSFB, which led the deal with Banque Nationale de Paris, said the issue had benefited from increasing appetite in France for high-yielding paper. "French investors are more and more willing to buy longer maturities to get higher yields," a syndicate official said. "Placement was also helped by the fact that there is very little choice in terms of high-yielding fixed-rate paper."

Because of the perpetual structure of the bonds, the proceeds *qualify as upper* tier two capital for regulatory purposes.

DSL, the German financial house, issued the largest eurobond yesterday with a $250m two-year offering. Syndicate officials at Commerzbank, which jointly led the deal with Nomura, said *the issue was mostly targeted* at retail investors in Benelux and Germany.

The bond, which follows Commerzbank's two-year offering in April, was priced flat to "when-issued" two-year Treasuries. This is equivalent to 4 basis points over the old two-year Treasuries. *"It is trading at about* the same level as Commerzbank's two-year deal," said one official. The next batch of two-year Treasuries will be issued next week.

The EBRD – the European Bank for Reconstruction and Development – made its debut in New Taiwan dollars. *Advantageous swap* rates allowed it to achieve competitive financing while offering investors a yield of 26 basis points over government bonds. The EBRD said the issue helped "Taiwan's opening as a major regional financial centre".

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
DSL Bank	250	6.25	99.789R	Jun 1999	0.125R	Flat(WI 2yr)	Commerzbank/Nomura
JS Telecommunications(a,f)*	180	8.483#	100.00R	May 2011	1.00R	+175(6⅝%-07)	CSFB
Southern Peru(b)	150	(b1)	(b1)	2007	-	-	CSFB
IMPSA(c)	150	9.50#	99.512R	May 2002	1.00R	+303(WI 5yr)	Bear Stearns/Salomon
Nafinsa (Grand Cayman)	150	8.00	100.12R	Jun 2000	0.375R	-	SBC Warburg
FRENCH FRANCS							
RIBS(d)‡	1.5bn	(d1)	100.0828R	Nov 2002	0.15R	-	CCF/Deutsche MG
CSFB(e)	750	(e1)	99.62R	[illegible]	0.75R	[illegible]	BNP/CSFB
LUXEMBOURG FRANCS							
Rabobank Nederland	2bn	5.50	102.50	Jul 2005	2.00	-	BBL/BIL/Rabobank
Tractebel Investment Intl	2bn	5.675	102.75	Jul 2005	2.00	-	BCEE/BGL
ESCUDOS							
European Investment Bank(f)	10bn	5.75	100.00	Jun 2002	0.25	-	BPI/CGD
NEW ZEALAND DOLLARS							
Dresdner Finance	100	7.50	100.395	Jun 2001	1.625	-	Dresdner/Toronto Dom
NEW TAIWANESE DOLLARS							
EBRD	6bn	6.04	100.00	Jun 2004	0.25	+26(6.6%-03)	Grand Cathay Secs Corp

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Jasmine Submarine. [illegible]

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.8168	-0.460	7.66	7.65	8.03
Austria		5.750	04/07	98.7700	-0.410	5.92	5.72	5.97
Belgium		6.250	03/07	101.8400	-0.410	5.99	5.80	6.06
Canada *		7.000	12/06	103.7000	-0.050	6.47	6.54	6.89
Denmark		8.000	03/06	110.2600	-0.540	6.43	6.25	6.65
France	BTAN	4.750	03/02	99.8500	-0.130	4.78	4.64	4.83
	OAT	5.500	04/07	98.0600	-0.280	5.76	5.58	5.79
Germany Bund		6.000	07/07	100.8200	-0.170	5.91	5.70	5.94
Ireland		8.000	08/06	108.4800	-0.480	6.73	6.54	6.84
Italy		6.750	02/07	97.2000	-0.400	7.15†	7.12	7.51
Japan	No 145	5.500	03/02	116.4886	+0.141	1.79	1.79	1.46
	No 182	3.000	09/05	103.0005	+0.211	2.55	2.55	2.18
Netherlands		5.750	02/07	99.5800	-0.380	5.80	5.61	5.85
Portugal		9.500	02/06	120.0500	-0.350	6.42	6.40	6.78
Spain		7.350	03/07	105.2900	-0.510	6.59	6.42	6.86
Sweden		8.000	08/07	106.9364	-0.600	7.02	6.90	7.18
UK Gilts		7.000	06/02	99-16	-18/32	7.12	6.85	7.31
		7.250	12/07	99-25	-30/32	7.28	6.96	7.64
		9.000	10/08	112-20	-36/32	7.35	7.03	7.74
US Treasury *		6.625	05/07	99-05	-5/32	6.74	6.68	6.97
		6.625	02/27	95-19	-10/32	6.98	6.88	7.17
ECU (French Govt)		7.000	04/06	106.3600	-0.380	6.05	5.91	6.17

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	6.26
Broker loan rate	7¾	Two month	-	Three year	6.42
Fed.funds	5⅝	Three month	5.13	Five year	6.59
Fed.funds at intervention	-	Six month	5.43	10-year	6.76
		One year	5.79	30-year	6.99

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	129.30	128.84	-0.74	129.40	128.78	189,110	158,104
Sep	127.70	127.26	-0.74	127.80	127.28	2,396	14,620
Dec	97.12	96.68	-0.74	97.12	97.12	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (May 21)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
127	2.60	1.50	1.92	0.02	0.51	0.93
128	1.65	0.86	1.34	0.07	0.86	1.34
129	0.82	0.43	0.84	0.24	1.42	1.83
130	0.24	0.17	0.48	0.66	-	-
131	0.06	0.06	0.26	1.47	-	3.24

Est. vol. total, Calls 8,842 Puts 15,666. Previous day's open int., Calls 128,465 Puts 168,772.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	101.06	100.73	-0.50	101.25	100.63	347671	244940
Sep	100.03	99.67	-0.52	100.15	99.64	9760	31526

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
10050	0.23	0.33	0.56	0.74	0	1.16	1.39	1.57
10100	0	0.19	0.39	0.56	0.27	1.52	1.72	1.89
10150	0	0.11	0.27	0.41	0.77	1.94	2.10	2.24

Est. vol. total, Calls 92007 Puts 37348. Previous day's open int., Calls 253850 Puts 301436

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	130.05	129.45	-1.00	130.43	129.30	78186	97562
Sep	130.60	129.95	-1.04	130.94	129.98	3484	14714

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10300		2.37		2.36
10350		2.13		2.62
10400		1.92		2.91

Est. vol. total, Calls 1302 Puts 1066. Previous day's open int., Calls 24698 Puts 25429

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	115.65	115.20	-0.60	115.88	115.16	134,189	73,529
Sep	114.83	114.41	-0.58	115.05	114.45	1,649	5,275

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112-24	111-20	-1-06	112-30	111-21	151392	186307
Sep	113-00	112-02	-1-04	113-03	111-30	4398	20520

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
112	0-54	1-03	1-26	1-48	0-10	0-53	1-22	1-44
113	0	0-39	0-62	1-16	0-10	1-34	1-58	2-14
114	0	0-19	0-40	0-58	1-10	2-15	2-36	2-54

Est. vol. total, Calls 8692 Puts 4832. Previous day's open int., Calls 75095 Puts 55599

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	95.34	94.94	-0.76	95.52	94.94	1,324	5,554
Sep	-	94.56	-0.76	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	109-10	109-11	+0-02	109-12	109-03	491,823	445,094
Sep	108-30	108-31	+0-03	109-01	108-23	17,843	74,656
Dec	108-14	108-16	+0-01	108-16	108-14	4,554	26,080

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Jun	123.91	-	-	123.98	123.82	4528	n/a
Sep	122.92	-	-	122.56	122.40	2294	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu May 22	Day's change %	Wed May 21	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.77	-0.17	119.97	2.07	4.81
2 5-15 years (21)	151.97	-0.79	153.18	3.32	3.79
3 Over 15 years (8)	178.06	-1.44	179.65	3.35	3.16
4 Irredeemables (6)	201.32	-1.52	204.04	0.83	7.10
5 All stocks (51)	146.07	-0.72	147.14	3.39	4.19
Index-linked					
6 Up to 5 years (2)	203.99	-0.40	204.81	0.84	3.03
7 Over 5 years (10)	194.76	-1.19	197.10	1.21	2.86
8 All stocks (12)	194.68	-1.10	196.84	1.17	2.86

UK Indices

Yield indices	Low coupon yield May 22	May 21	Yr. ago	Medium coupon yield May 22	May 21	Yr. ago	High coupon yield May 22	May 21	Yr. ago
5 yrs	7.14	7.01	7.51	7.20	7.08	7.55	7.25	7.13	7.65
15 yrs	7.34	7.19	8.23	7.35	7.21	8.25	7.34	7.19	8.34
20 yrs	7.38	7.24	8.31	7.36	7.21	8.31	7.34	7.19	8.38
Irred.†	7.45	7.35	8.36						

Index-linked	Inflation 5% May 22	May 21	Yr. ago	Inflation 10% May 22	May 21	Yr. ago
Up to 5 yrs	3.52	3.39	2.79	2.85	2.72	1.29
Over 5 yrs	3.60	3.60	3.60	3.46	3.38	3.59

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 22	May 21	May 20	May 19	May 16	Yr ago	High*	Low*
Govt. Secs. (UK)	95.65	96.50	96.72	96.60	95.88	92.29	97.51	93.31
Fixed Interest	120.39	120.86	120.86	120.97	121.53	112.10	121.95	115.32

Gilt Edged Activity Indices

	May 21	May 20	May 19	May 16	May 15
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on May 22

U.S. DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]

UK GILTS PRICES

Shorts (Lives up to Five Years); Five to Fifteen Years; Over Fifteen Years; Undated; Index-Linked; Other Fixed Interest

[illegible]

* 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

هكذا من الأصل

CURRENCIES AND MONEY

Rogue trade adds to pound's woes

MARKETS REPORT

By Simon Kuper

Sterling plunged yesterday for several reasons, among them probably a rogue trade. Various strategists reported that early in the day a trader had accidentally bought either £200m or £300m of D-Marks in a swaps-related deal when he had meant to sell. He then sold double the amount he had bought, and the sudden flood of pounds into the market sent the currency lower.

Strategists also blamed the pound's fall on a Confederation of British Industry survey showing export demand at its lowest level since November 1993, fears over the reforms of the Bank of England, and belief that the UK will join European monetary union.

Mr Avinash Persaud, currency strategist at J.P. Morgan in New York, said there was a growing belief that the UK would enter Emu in the second round. Many investors believed that as a prelude to entry, the pound would rejoin the European exchange rate mechanism in the next few years, probably at a rate of about DM2.50 to the D-Mark. "I'm hearing an increasing number of our customers refer to DM2.50 or DM2.60," Mr Persaud said. "If DM2.50 is your ultimate goal, DM2.80 is a dangerous level to be holding sterling." As the market was long on sterling, the currency was vulnerable.

Mr Ray Attrill, analyst at 4CAST in London, also cited sales by US funds of gilts and German bunds. The funds had had to realise profits on these assets, he said, because they had suffered losses in funding their attacks on the Thai baht.

Late yesterday the pound stood at DM2.753 to the D-Mark and $1.624 to the dollar, 4.2 pfennigs and 2.5 cents below Wednesday's London close.

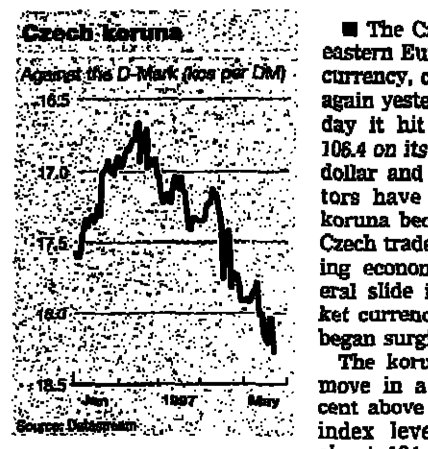
The dollar recovered against the yen after various Tokyo officials spoke in its favour, and as market belief in an imminent Japanese rate rise diminished: Japan's finance ministry said it supported the Bank of Japan's low interest rate policy, and the bank said the yen's correction against the dollar had been too rapid. Mr Robert Rubin, US treasury secretary, repeated that Washington still supported a strong dollar. Traders are increasingly taking the view that Tokyo and Washington want the dollar no weaker than Y110 to the yen. The Industrial Bank of Japan's admission that its London branch had taken a Y10bn loss on derivatives trading also hit the yen.

However, the dollar failed to hold above the Y116 level. It closed in London Y1.7 higher at Y115.9.

The D-Mark firmed slightly against the dollar to DM1.693, aided by a stronger than expected Ifo survey of German business confidence for April. The currency also jumped Y1.07 against the yen to Y68.47.

■ Pound in New York

May 22	—Latest—	— Prev. close —
£ spot	1.6265	1.6445
1 mth	1.6256	1.6436
3 mth	1.6237	1.6417
1 yr	1.6155	1.6335



■ The Czech koruna, once eastern Europe's most stable currency, came under attack again yesterday. Early in the day it hit a record low of 106.4 on its index against the dollar and D-Mark. Speculators have fastened on the koruna because of the large Czech trade deficit, the slowing economy, and the general slide in emerging market currencies since the yen began surging this month.

The koruna is allowed to move in a band of 7.5 per cent above or below the 100 index level. It rallied to about 104 after the Czech National Bank yesterday limited access by non-residents to the Czech money market, closed all access to the Lombard credit facility, raised its one-week repurchase rate to 75 per cent, and spent up to $1.6bn on the koruna's defence. Mr Persaud said: "The market is highly doubtful that these measures can be maintained." Increasingly, forex strategists are speculating that the Czech Republic may be forced to devalue. Political leaders are considering a government reshuffle. The Polish zloty slid in sympathy with the koruna yesterday.

■ The Federal Reserve left US interest rates unchanged on Tuesday, yet Treasury bonds have fallen since then. Mr Michael Wallace, senior currency economist at MMS International in London, said the slide in Treasuries may be linked to the recent attacks on emerging market currencies. Central banks in Asia and eastern Europe, he said, were selling their US assets in order to defend their currencies.

■ OTHER CURRENCIES

May 22	£	$
Czech Rp	50.5167 - 50.6131	30.9150 - 30.9560
Hungary	295.998 - 296.282	181.150 - 181.200
Iran	4905.00 - 4902.00	3000.00 - 3000.00
Kuwait	0.4885 - 0.4939	0.3020 - 0.3021
Poland	5.2298 - 5.2484	3.2005 - 3.2100
Russia	9400.40 - 9409.43	5753.00 - 5755.00
U.A.E.	6.0012 - 6.0057	3.6727 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

May 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.4801	-0.1695	699 - 903	19.7084	19.4461	19.4266	3.3	19.3386	2.9	-	-	103.1
Belgium	(BFr)	57.1258	-0.5458	756 - 760	57.7960	57.0300	56.9708	3.3	56.6558	3.3	55.2258	3.3	103.0
Denmark	(DKr)	10.5382	-0.1025	338 - 430	10.6631	10.5230	10.5127	2.9	10.4602	3.0	10.2387	2.8	105.7
Finland	(FM)	8.3430	-0.1026	363 - 496	8.4500	8.3320	-	-	-	-	-	-	82.2
France	(FFr)	9.3199	-0.0917	154 - 244	9.4336	9.3067	9.2957	3.1	9.2478	3.1	9.0252	3.2	106.0
Germany	(DM)	2.7677	-0.0268	664 - 689	2.8020	2.7627	2.7601	3.3	2.7441	3.4	2.6738	3.4	104.4
Greece	(Dr)	441.482	-3.019	147 - 777	445.718	440.864	-	-	-	-	-	-	65.0
Ireland	(I£)	1.0780	-0.0103	769 - 790	1.0946	1.0749	1.0781	-0.1	1.0771	0.3	1.0701	0.7	98.3
Italy	(L)	2725.12	-24.83	322 - 702	2754.02	2718.94	2727.02	-0.8	2728.42	-0.5	2714.62	0.4	76.4
Luxembourg	(LFr)	57.1258	-0.5458	756 - 760	57.7960	57.0300	56.9708	3.3	56.6558	3.3	55.2258	3.3	103.0
Netherlands	(Fl)	3.1107	-0.0309	092 - 121	3.1488	3.1062	3.1022	3.3	3.0842	3.4	3.0061	3.4	102.8
Norway	(NKr)	11.5095	-0.104	019 - 171	11.6134	11.4618	11.479	3.2	11.4195	3.1	11.1735	2.9	98.1
Portugal	(Es)	278.846	-2.612	597 - 095	282.191	278.447	278.696	0.6	278.321	0.8	-	-	93.9
Spain	(Pta)	233.096	-2.281	943 - 249	235.990	232.790	232.936	0.8	232.496	1.0	229.741	1.4	77.9
Sweden	(SKr)	12.3818	-0.0577	718 - 917	12.5067	12.3492	12.3603	2.1	12.3123	2.2	12.1183	2.1	84.6
Switzerland	(SFr)	2.3055	-0.0235	039 - 070	2.3372	2.2989	2.2961	4.9	2.277	4.9	2.193	4.9	106.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	98.4
Ecu	-	1.4165	-0.0123	176 - 194	1.4341	1.4163	1.4159	2.2	1.41	2.4	1.3826	2.5	-
SDR	-	1.17997	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6342	-0.0142	337 - 347	1.6483	1.6330	-	-	-	-	-	-	-
Brazil	(R$)	1.7484	-0.0136	477 - 490	1.7627	1.7468	-	-	-	-	-	-	-
Canada	(C$)	2.2415	-0.0114	404 - 426	2.2611	2.2390	2.2352	3.3	2.2236	3.2	2.182	2.7	85.0
Mexico	(New Peso)	12.8586	-0.1043	465 - 707	12.9868	12.8460	-	-	-	-	-	-	-
USA	($)	1.6345	-0.0142	340 - 350	1.6486	1.6333	1.6336	0.7	1.6318	0.7	1.6236	0.7	102.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0937	-0.0113	922 - 951	2.1066	2.0891	2.0931	0.3	2.0912	0.5	2.0812	0.6	95.7
Hong Kong	(HK$)	12.6453	-0.1124	406 - 500	12.7539	12.6368	12.6394	0.6	12.6288	0.5	12.594	0.4	-
India	(Rs)	58.4580	-0.5408	992 - 167	58.9870	58.3860	-	-	-	-	-	-	-
Israel	(Shk)	5.5531	-0.0415	484 - 597	5.5988	5.5483	-	-	-	-	-	-	-
Japan	(Y)	189.496	+1.148	384 - 627	191.470	187.800	188.436	6.7	186.426	6.5	177.611	6.3	130.3
Malaysia	(M$)	4.0904	-0.0322	883 - 924	4.1215	4.0882	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3533	-0.0174	514 - 552	2.3748	2.3499	2.3531	0.1	2.3541	-0.1	2.3613	-0.3	113.3
Philippines	(Peso)	43.1181	-0.3664	722 - 640	43.4570	43.0671	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1304	-0.0532	283 - 324	6.1827	6.1260	-	-	-	-	-	-	-
Singapore	(S$)	2.3398	-0.0197	383 - 413	2.3595	2.3380	-	-	-	-	-	-	-
South Africa	(R)	7.3062	-0.0437	015 - 109	7.3659	7.3012	-	-	-	-	-	-	-
South Korea	(Won)	1457.16	-11.83	263 - 169	1469.89	1452.58	-	-	-	-	-	-	-
Taiwan	(T$)	45.4500	-0.3922	900 - 000	45.8443	45.3847	-	-	-	-	-	-	-
Thailand	(Bt)	41.9904	+0.3937	958 - 849	42.4230	41.3950	-	-	-	-	-	-	-

† Rates for May 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.9181	-0.0123	155 - 207	11.9650	11.8790	11.8956	2.3	11.8469	2.4	11.5981	2.7	102.7
Belgium	(BFr)	34.9500	-0.03	300 - 700	35.0900	34.8340	34.875	2.6	34.72	2.6	33.98	2.8	102.9
Denmark	(DKr)	6.4473	-0.0087	463 - 483	6.4735	6.4276	6.4356	2.2	6.4106	2.3	6.2986	2.3	104.8
Finland	(FM)	5.1043	-0.0183	018 - 068	5.1314	5.0887	5.0924	2.8	5.068	2.8	4.9589	2.8	81.3
France	(FFr)	5.7020	-0.0065	010 - 030	5.7290	5.6852	5.6903	2.5	5.6676	2.4	5.5525	2.6	105.3
Germany	(DM)	1.6933	-0.0017	930 - 935	1.7005	1.6875	1.6896	2.6	1.6819	2.7	1.645	2.9	103.6
Greece	(Dr)	270.090	+0.495	980 - 200	270.880	268.090	270.975	-3.9	272.515	-3.6	278.79	-3.2	64.8
Ireland	(I£)	1.5163	+0.0013	153 - 173	1.5239	1.5025	1.5156	0.5	1.5151	0.3	1.5118	0.3	-
Italy	(L)	1667.25	-0.7	660 - 790	1671.58	1660.11	1669.15	-1.4	1671.85	-1.1	1674.12	-0.4	76.0
Luxembourg	(LFr)	34.9500	-0.03	300 - 700	35.0900	34.8340	34.875	2.6	34.72	2.6	33.98	2.8	102.9
Netherlands	(Fl)	1.9031	-0.0024	028 - 034	1.9118	1.8976	1.899	2.6	1.8904	2.7	1.8499	2.8	102.5
Norway	(NKr)	7.0416	-0.0024	391 - 441	7.0635	6.9905	7.0243	2.9	6.9889	2.4	6.8731	2.4	97.4
Portugal	(Es)	170.600	-0.115	500 - 700	171.240	169.930	170.585	0.1	170.52	0.2	169.21	0.8	94.2
Spain	(Pta)	142.610	-0.155	560 - 660	143.200	142.200	142.61	0.0	142.533	0.2	141.275	0.9	77.5
Sweden	(SKr)	7.5753	+0.0303	715 - 790	7.5978	7.5354	7.5659	1.5	7.5453	1.6	7.4508	1.6	84.4
Switzerland	(SFr)	1.4105	-0.0022	100 - 110	1.4200	1.4048	1.4057	4.1	1.3959	4.1	1.3502	4.3	105.6
UK	(£)	1.6345	-0.0142	340 - 350	1.6486	1.6333	1.6336	0.7	1.6318	0.7	1.6236	0.7	98.5
Ecu	-	1.1523	-	519 - 527	1.1560	1.1489	1.1538	-1.5	1.1571	-1.7	1.1747	-1.9	-
SDR†	-	0.713190	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0697	+0.001	696 - 697	1.0697	1.0694	-	-	-	-	-	-	-
Canada	(C$)	1.3714	+0.0049	711 - 716	1.3732	1.3691	1.3684	2.6	1.3629	2.5	1.3439	2.0	84.9
Mexico	(New Peso)	7.8670	+0.0045	620 - 720	7.8740	7.8620	7.9755	-16.6	8.177	-15.8	9.172	-16.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2809	+0.0042	804 - 814	1.2815	1.2790	1.2813	-0.4	1.2814	-0.2	1.2804	0.0	97.5
Hong Kong	(HK$)	7.7365	-0.0015	360 - 370	7.7375	7.7360	7.7375	-0.2	7.7389	-0.1	7.749	-0.2	-
India	(Rs)	35.7650	-0.02	400 - 900	35.7950	35.7350	35.855	-3.0	36.14	-4.2	33.945	5.1	-
Israel	(Shk)	3.3974	+0.0041	944 - 004	3.4030	3.3885	-	-	-	-	-	-	-
Japan	(Y)	115.935	+1.695	890 - 980	116.330	114.000	115.38	5.7	114.275	5.7	109.375	5.7	133.2
Malaysia	(M$)	2.5025	+0.002	020 - 030	2.5033	2.4965	2.5048	-1.1	2.5089	-1.0	2.5258	-0.9	-
New Zealand	(NZ$)	1.4398	+0.0019	391 - 405	1.4405	1.4387	1.4406	-0.7	1.443	-0.9	1.4531	-0.9	-
Philippines	(Peso)	26.3800	+0.005	600 - 000	26.4000	26.3600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7507	3.7505	3.7508	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4315	+0.0004	310 - 320	1.4320	1.4299	1.4299	1.4	1.4258	1.6	1.404	1.9	-
South Africa	(R)	4.4700	+0.012	685 - 715	4.4720	4.4570	4.5095	-10.6	4.587	-10.5	4.885	-9.3	-
South Korea	(Won)	891.500	+0.5	000 - 000	894.000	889.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.8100	+0.005	800 - 300	27.8330	27.7800	27.8106	0.0	27.812	0.0	27.8163	0.0	-
Thailand	(Bt)	25.6900	+0.46	400 - 400	25.7900	25.5530	25.7513	-2.9	25.875	-2.9	26.445	-2.9	-

† SDR rate per $ for May 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 21: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	3	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	6.78
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	2.90
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-

■ $ LIBOR FT London

Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar CDs	-	5.48	5.59	5.70	5.98
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.50	96.47	-0.04	96.48	96.47	31,172	46,735
Sep	96.50	96.47	-0.05	96.48	96.47	13,360	54,267
Dec	96.46	96.43	-0.05	96.44	96.43	607	33,532

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.79	96.80	-	96.81	96.78	33744	232757
Sep	96.72	96.72	-0.01	96.74	96.71	29559	208891
Dec	96.56	96.57	-0.02	96.60	96.54	43964	235046
Mar	96.44	96.42	-0.03	96.45	96.40	46851	210055

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	96.82	-	-	-	0	1525
Jul	96.81	96.81	-0.01	96.81	96.81	50	400
Aug	-	96.80	-	-	-	0	119
Sep	-	96.79	-	-	-	0	3

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.34	93.35	-0.03	93.40	93.34	16186	103167
Sep	93.57	93.64	-0.06	93.72	93.64	18426	90922
Dec	93.83	93.77	-0.08	93.85	93.77	7056	63593
Mar	93.98	93.92	-0.09	93.92	93.81	3587	34027

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.49	98.46	+0.04	98.50	98.42	15007	50304
Sep	98.46	98.44	+0.03	98.51	98.41	12675	55004
Dec	98.30	98.25	-	98.30	98.24	4551	26703
Mar	98.17	98.12	-	98.17	98.10	2525	10498

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.38	-	-	-	0	n/a
Sep	-	99.15	+0.01	-	-	0	n/a
Dec	98.91	98.91	+0.01	98.91	98.91	170	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.86	95.86	-	95.87	95.85	1506	7619
Sep	95.84	95.85	-0.01	95.86	95.84	1212	6064
Dec	95.81	95.77	-0.02	95.81	95.77	237	5271
Mar	95.71	95.67	-0.03	95.71	95.67	122	3491

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.16	0.50	0.66	0.06	0.11	0.14
9350	0.05	0.32	0.49	0.20	0.18	0.22
9375	0.01	0.19	0.35	0.41	0.30	0.33

Est. vol. total, Calls 5085 Puts 4518. Previous day's open int., Calls 163723 Puts 80844

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	18.31	4.845	1.887	4770	5.445	20.15	488.1	408.0	21.87	4.036	1.751	3.924	2.861	331.7	2.483
Denmark	(DKr)	54.21	10	8.844	2.626	1.023	2586	2.952	10.92	264.6	221.2	11.75	2.188	0.949	2.127	1.551	179.8	1.346
France	(FFr)	61.29	11.31	10	2.970	1.157	2924	3.338	12.35	299.2	250.1	13.29	2.474	1.073	2.405	1.754	203.3	1.522
Germany	(DM)	20.64	3.808	3.367	1	0.389	984.6	1.124	4.159	100.8	84.22	4.474	0.833	0.361	0.810	0.591	68.47	0.513
Ireland	(I£)	52.98	9.776	8.646	2.568	1	2528	2.886	10.68	258.7	216.2	11.49	2.139	0.928	2.079	1.516	175.8	1.316
Italy	(L)	2.096	0.387	0.342	0.102	0.040	100	0.114	0.422	10.23	8.554	0.454	0.085	0.037	0.082	0.060	6.954	0.052
Netherlands	(Fl)	18.36	3.388	2.996	0.890	0.347	876.1	1	3.700	89.64	74.94	3.981	0.741	0.321	0.721	0.525	60.92	0.456
Norway	(NKr)	49.63	9.156	8.098	2.405	0.937	2368	2.703	10	242.3	202.5	10.76	2.003	0.869	1.948	1.420	164.6	1.232
Portugal	(Es)	20.49	3.779	3.342	0.993	0.387	977.3	1.116	4.127	100	83.59	4.440	0.827	0.359	0.804	0.586	67.96	0.509
Spain	(Pta)	24.51	4.521	3.998	1.187	0.462	1169	1.334	4.936	119.6	100	5.312	0.989	0.429	0.962	0.701	81.30	0.609
Sweden	(SKr)	46.14	8.511	7.527	2.235	0.871	2201	2.512	9.295	225.2	188.3	10	1.862	0.808	1.810	1.320	153.0	1.146
Switzerland	(SFr)	24.78	4.571	4.043	1.201	0.468	1182	1.349	4.992	121.0	101.1	5.371	1	0.434	0.972	0.709	82.19	0.615
UK	(£)	57.13	10.54	9.320	2.768	1.078	2725	3.111	11.51	278.8	233.1	12.38	2.305	1	2.242	1.635	189.5	1.418
Canada	(C$)	25.48	4.701	4.158	1.235	0.481	1216	1.388	5.135	124.4	104.0	5.524	1.029	0.446	1	0.729	84.54	0.633
USA	($)	34.95	6.447	5.702	1.693	0.660	1667	1.903	7.042	170.6	142.6	7.576	1.411	0.612	1.371	1	115.9	0.868
Japan	(Y)	30.15	5.561	4.918	1.461	0.569	1438	1.642	6.074	147.2	123.0	6.534	1.217	0.528	1.183	0.863	100	0.749
Ecu		40.27	7.429	6.570	1.951	0.760	1921	2.193	8.114	196.6	164.3	8.729	1.625	0.705	1.580	1.152	133.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5909	0.5923	+0.0014	0.5930	0.5888	24,837	78,620
Sep	0.5952	0.5961	+0.0013	0.5967	0.5952	349	4,047
Dec	-	0.6005	+0.0017	0.6005	-	44	519

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7120	0.7100	-0.0019	0.7135	0.7065	28,792	47,382
Sep	0.7170	0.7183	-0.0012	0.7210	0.7140	2,317	4,931
Dec	0.7274	0.7265	-0.0009	0.7265	0.7265	14	442

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8792	0.8675	-0.0112	0.8803	0.8627	29,605	85,474
Sep	0.8890	0.8790	-0.0114	0.8890	0.8750	1,609	5,084
Dec	0.8880	0.8890	-0.0133	0.8895	0.8880	22	790

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6438	1.6380	-0.0044	1.6476	1.6368	11,947	42,751
Sep	1.6350	1.6360	-0.0032	1.6380	1.6340	8,612	8,669
Dec	-	1.6350	-0.0020	-	1.6320	1	115

UK INTEREST RATES

LONDON MONEY RATES

May 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	[illegible]	[illegible]	5	5	[illegible]

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.42	93.43	-0.01	93.44	93.40	[illegible]	[illegible]
Sep	93.18	93.17	-0.01	93.20	93.15	26098	104330
Dec	92.98	92.97	-0.03	93.01	92.96	19653	98689
Mar	92.84	92.82	-0.05	92.87	92.81	14516	61406
Jun	92.75	92.71	-0.06	92.76	92.70	6014	43165

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.19	0.09	0.08	0.01	0.17	0.36
9350	0.03	0.02	0.03	0.10	0.35	0.56
9375	0	0	0.01	0.32	0.58	0.79

Est. vol. total, Calls 1150 Puts 1445. Previous day's open int., Calls 174392 Puts 172713

EMS EUROPEAN CURRENCY UNIT RATES

May 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.760423	+0.000082	-4.79	7.26	32
Portugal	197.398	197.267	+0.127	-0.07	2.19	0
Spain	163.826	164.968	-0.062	0.70	1.41	-5
Finland	5.85424	5.89884	-0.02198	0.76	1.34	-5
Italy	1906.48	1925.93	-3.55	1.02	1.09	-7
Netherlands	2.16979	2.20181	-0.00096	1.45	0.66	-11
Denmark	7.34555	7.45554	-0.00442	1.50	0.61	-10
Germany	1.92573	1.95799	-0.0011	1.68	0.44	-17
Austria	13.5485	13.7814	-0.0082	1.72	0.39	-13
Belgium	39.7191	40.4180	-0.0182	1.76	0.35	-13
France	6.45863	6.56547	-0.00297	2.12	0.00	-18
NON ERM MEMBERS						
Greece	295.269	312.198	+0.503	5.73	-3.42	-
UK	0.793103	0.705365	+0.002743	-11.06	14.82	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.620	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.640	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls [illegible] Puts [illegible]. Prev. day's open int., Calls [illegible] Puts [illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
0.585	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
0.590	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
0.595	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls [illegible] Puts [illegible]. Prev. day's open int., Calls [illegible] Puts [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
9675	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9725	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9875	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	●Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	Financial & Gen Bank	7.00	Scottish Widows Bank	6.00
Bank of Baroda	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	United Bank of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●C. Hoare & Co	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	Hongkong & Shanghai	6.25		
Brit Bk of Mid East	6.25	Investec Bank (UK) Ltd	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	●Rea Brothers	6.25		
		Royal Bk of Scotland	6.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Zambia says copper sale is still on track

By Mark Ashurst in Johannesburg

Zambia yesterday insisted that the sell-off of the state copper mining company remained on track in spite of the surprise withdrawal of South Africa's Gencor from one mine.

Mr Ronald Penza, finance minister, said the sale of Zambia Consolidated Copper Mines (ZCCM) would start as planned.

"We should be able to start the sales process by the end of next month," said Mr Penza. He added that not all ZCCM assets might be ready for sale by the June 30 target date, as the government and potential buyers negotiated terms for the various packages on offer.

On Wednesday Gencor, South Africa's second-largest mining house, announced that it had withdrawn from a consortium considering development of Konkola Deep, Zambia's richest known copper reserve.

The remaining consortium members – Anglo American, South Africa's largest mining house, with 40 per cent and Falconbridge of Canada with 30 per cent – yesterday said they would continue with a feasibility study on the mine and on-going negotiations with the government. "The possibility of inviting other companies to join ... the consortium will be considered at the appropriate time," said Falconbridge.

Gencor said it was withdrawing because of a lower than expected rate of return on the 340m tonne copper deposit, the nature of investment incentives offered by the Zambian government, and power costs.

In spite of the government's confidence, the withdrawal of Gencor is a blow. Participation by foreign companies is seen as crucial to the development of Konkola and Gencor is the second company in less than a year to pull out of the project. Last July Australia's Western Mining Corp withdrew saying the project did not meet its criteria.

ZCCM urgently needs new capital to settle debts of about $800m and develop a mining industry hit hard by declining copper production and low gold prices.

The Konkola development is expected to cost between $700m and $800m and would have a life of 30 years with an annual capacity of about 180,000 tonnes of finished copper. The expected grade is 3.8 per cent, four times higher than Anglo group's flagship Collahuasi copper mine in Chile.

If the project goes ahead, it would reverse a trend of three decades of falling output at ZCCM.

But the delays have frustrated Zambian officials, who last year granted rights to develop the adjacent Konkola North deposit to another South African mining house, Anglovaal.

Zambia's copper production has fallen from 720,000 tonnes in 1969 to 327,000 tonnes last year. A revival in the sector is critical if Zambia is to retain current levels of donor support for its fragile balance of payments, which underpins its programme of economic structural adjustment.

Weather report boosts coffee

MARKETS REPORT

By Susanna Voyle and Michael Peel

Coffee prices surged to new highs yesterday as the blistering rally on the world's *futures markets continued.*

The New York price for the July contract jumped to 264 cents a pound, the highest since it started trading, on news of colder weather moving into Brazil. The increase from a close of 253.1 cents came in spite of no frost being forecast.

New York trades arabica, the higher quality coffee beans. It has been driving the rally since a mixture of tight supplies, low stocks and fears of Brazilian frost lured speculative money into the markets.

Prices in London, which trades the robusta coffee used in instants, failed to match the US lead. The benchmark July contract rose $55 to $2,145 a tonne, but fell back to end the day $8 lower at $2,082.

Copper explored new yearly highs yesterday before once again succumbing to profit-taking and forward selling by producers.

The price for three-month delivery on the London Metal Exchange finished the day just off its pre-trading peak of $2,530 per tonne.

Analysts saw this as evidence of an imminent market correction. "Its inability to sustain those higher levels is primarily because the market is over-extended and needs a correction," said Mr Robin Bhar, metals analyst for Brandeis Brokers.

Gold was "fixed" in London yesterday afternoon at $342.75 per troy ounce, 20 cents lower than the morning fix. One analyst said that early short covering by some Asian dealers failed to follow through.

Busang legacy lays a minefield in Canada

Heads are spinning in Canada's mining community after a series of events that has left the industry both embarrassed and encouraged.

On the one hand, the scandal surrounding Bre-X Minerals' gold operations at Busang in eastern Borneo has cast a long shadow over the junior exploration companies, mining promoters and investment dealers that have made Toronto and Vancouver two of the world's mining capitals.

The embarrassment over the adding of gold to the *Bre-X samples – a process* know as salting – has been compounded in recent days by suspicious exploration results from two other companies.

Vancouver-based Delgratia Mining has acknowledged that samples from a much-touted orebody in Nevada were tampered with. Golden Rule Resources has launched a probe into suspected salting of samples from a property in Ghana.

But even as players in the Bre-X fiasco lick their wounds, the industry has been buoyed by a decision by Boliden, the Swedish mining group, to move its head office to Toronto and seek a listing on the Toronto Stock Exchange.

Boliden is in the throes of a C$800m (US$583m) initial public offering, the biggest by any company on the TSE this year. Presentations were made to European investors this week.

"Toronto is the financial centre for the mining world and is the domicile for a large number of international mining companies," Mr Kjell Nilsson, president of Trelleborg, Boliden's parent, said earlier this year.

Mr Nilsson told one Toronto mining executive in his office more recently that "within five minutes of here, I can walk to any of the large mining companies".

> 'There will be a weeding out. The number of mining stocks has grown considerably since 1991'

But the Bre-X, Delgratia and Golden Rule sagas have uncorked an orgy of soul-searching. The Ontario Securities Commission, the Toronto Stock Exchange and British Columbia's chamber of mines have launched reviews into how exploration companies report assay results.

The scandals have reignited calls for a national securities commission to replace the fragmented system of provincial regulators. The scope for conflicts of interest among promoters and analysts is under renewed scrutiny.

A shake-up among the small exploration companies that are a feature of Canada's mining scene appears to be in the offing. Several have already been forced to *shelve financings and the* lacklustre outlook for gold could step up the pressure.

"There will be a weeding out," says Mr John Kilburn, analyst at McDermid St Lawrence Securities in Vancouver. "The number of mining stocks has grown considerably since 1991. I think some of the companies will fall off the table."

Mr John Brock, a Vancouver geologist and mining promoter, predicts "lots of mergers and amalgamations at the junior level". However, mining executives also caution against an over-reaction.

Mr Bill James – chief executive of Inmet Mining, a copper and gold producer and former head of Falconbridge, the nickel and zinc group – plays down the problems. "Canada is a leader in the mining industry and this hasn't made any change," he says. "We're still putting out metal and we'll continue to do that."

Mr James notes that small, entrepreneurial companies have unearthed an "inordinate" number of orebodies in relation to the money they spend.

Big discoveries in the past decade or two include the Hemlo gold belt in northwest Ontario, the Lac de Gras diamond property in the Northwest Territories, and the Voisey Bay nickel, copper and cobalt deposit in Labrador. Exploration work will go ahead as before, Mr James says, with the possible exception of Borneo.

Mr Clive Johnson, president of Bema Gold, a small Vancouver-based producer, predicts that juniors' recent difficulty in raising capital would prove temporary. "Good people with good projects will continue to be financed," he says.

Mr Johnson believes that junior companies with limited cash reserves will be forced to work more closely with stronger, more established producers in the early stages of exploration. But some senior producers have warned that they may prefer to keep more exploration work to themselves in the wake of the Bre-X embarrassment.

The disparate opinions and forces at work are encapsulated at Nesbitt Burns, the Toronto-based securities dealer controlled by Bank of Montreal. Nesbitt has come under fire for aggressively promoting Bre-X shares in the weeks prior to the Busang fraud being uncovered. But Boliden has chosen the same team of corporate finance experts and analysts to spearhead its initial public offering.

Bernard Simon and Scott Morrison

David Walsh, president of Bre-X Minerals

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1628-9	1639.5-40.0
Previous	1635.5-6.5	1650.5-1.5
High/low	1635/1633	1650/1631
AM Official	1632.5-3.0	1642.5-3.0
Kerb close		1633-4
Open int.	268,245	
Total daily turnover	88,263	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1475-80	1495-500
Previous	1480-85	1500-05
High/low	1485/1480	1505/1495
AM Official	1475-80	1495-500
Kerb close		1495-500
Open int.	5,078	
Total daily turnover	1,440	

■ LEAD ($ per tonne)

Close	635.5-6.5	644-4.5
Previous	629-30	640-1
High/low		645/634
AM Official	633-4	643-4
Kerb close		643-4
Open int.	36,700	
Total daily turnover	8,398	

■ NICKEL ($ per tonne)

Close	7525-35	7635-40
Previous	7465-75	7580-85
High/low		7640/7540
AM Official	7485-90	7605-10
Kerb close		7635-40
Open int.	49,772	
Total daily turnover	14,660	

■ TIN ($ per tonne)

Close	5715-25	5765-70
Previous	5725-35	5770-80
High/low	5730/5720	5790/5740
AM Official	5720-30	5775-80
Kerb close		5765-70
Open int.	14,972	
Total daily turnover	3,074	

■ ZINC, special high grade ($ per tonne)

Close	1347.5-8.5	1368-8.5
Previous	1332.5-3.5	1354-5
High/low		1370/1349
AM Official	1342-2.5	1360-60.5
Kerb close		1363-4
Open int.	90,992	
Total daily turnover	25,785	

■ COPPER, grade A ($ per tonne)

Close	2619.5-21.5	2522.5-3.5
Previous	2586.5-8.5	2507-8
High/low	2610	2530/2498
AM Official	2609-10	2519-20
Kerb close		2525-6
Open int.	137,424	
Total daily turnover	61,845	

■ LME AM Official £/$ rate: 1.6395
LME Closing £/$ rate: 1.6350

Spot: 1.6471 3 mths: 1.6447 6 mths: 1.6420 9 mths: 1.6396

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	119.30	+0.75	120.20	118.20	365	1,243
Jun	119.05	+0.75	119.50	118.25	206	3,497
Jul	118.95	+0.75	119.70	117.80	4,935	33,725
Aug	116.25	+0.35	117.00	107.20	19	1,770
Sep	113.85	+0.20	114.70	113.50	780	6,510
Oct	111.95	+0.05	112.20	111.80	3	1,068
Total					6,535	61,046

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	343.00-343.50		
Opening	343.10-343.60		
Morning fix	342.95	209.167	484.520
Afternoon fix	342.75	209.185	482.592
Day's High	343.60-343.90		
Day's Low	342.20-242.50		
Previous close	342.60-343.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.84 6 months 4.75
2 months ....4.81 12 months 4.60
3 months 4.80

Silver Fix	p/troy oz.	US cts equiv.
Spot	284.80	467.50
3 months	288.85	473.35
6 months	293.05	479.40
1 year	301.85	492.15

Gold Coins	$ price	£ equiv.
Krugerrand	341-343	208-210
Maple Leaf	-	-
New Sovereign	80-83	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	342.8	-0.3	-	-	1	1
Jun	343.2	-0.5	344.2	342.7	16,206	58,318
Aug	345.7	-0.6	346.5	345.5	4,146	25,638
Oct	348.5	-0.6	348.8	348.2	395	6,878
Dec	351.3	-0.6	352.0	351.0	498	22,417
Feb	354.0	-0.6	353.8	353.8	45	6,383
Total					21,366	159,424

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	389.0	-3.1	392.0	386.5	1,723	14,668
Oct	387.5	-4.6	391.5	386.5	47	4,380
Jan	388.5	-4.6	-	385.0	41	1,200
Apr	391.0	-4.6	-	-	1	16
Total					1,811	20,264

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

May	177.85	-4.75	-	-	-	1
Jun	175.35	-4.75	177.00	174.50	926	4,659
Sep	172.35	-5.25	174.00	172.50	841	4,892
Dec	172.35	-5.25	174.50	171.60	4	388
Total					1,871	10,035

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

May	465.0	-1.5	465.5	465.0	19	69
Jul	467.8	-1.7	470.5	466.0	5,322	80,053
Sep	472.7	-1.8	474.5	472.0	192	6,380
Dec	479.9	-1.8	481.0	478.5	122	7,303
Jan	482.2	-1.8	-	-	-	17
Mar	487.5	-1.8	486.0	486.0	622	7,964
Total					6,338	90,576

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	21.95	+0.08	22.08	21.76	50,261	10.84k
Aug	21.93	+0.06	22.08	21.76	17,391	46,517
Sep	21.82	+0.06	21.90	21.68	5,110	29,908
Oct	21.70	+0.05	21.72	21.59	1,336	17,672
Nov	21.52	-	21.56	21.45	573	16,661
Dec	21.38	-0.02	21.46	21.35	2,428	37,496
Total					84,598	493,335

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	20.29	+0.16	20.34	20.08	12,753	83,148
Aug	20.28	+0.16	20.32	20.10	7,521	34,256
Sep	20.26	+0.14	20.30	20.09	3,266	9,742
Oct	20.21	+0.11	20.21	20.05	375	7,816
Nov	20.14	+0.08	20.16	20.01	257	6,092
Dec	20.10	+0.11	20.11	19.98	769	12,149
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	57.65	+0.10	58.05	57.25	12,179	21,559
Jul	57.90	+0.22	58.15	57.40	9,272	38,852
Aug	58.35	+0.22	58.60	58.15	2,553	17,874
Sep	59.10	+0.37	59.20	58.90	546	9,481
Oct	59.50	+0.12	59.90	59.50	389	8,195
Nov	60.40	+0.37	60.80	59.75	426	7,271
Total					27,484	135,561

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	179.00	+2.75	179.50	177.25	8,136	24,937
Jul	179.75	+2.25	180.25	178.50	5,008	12,862
Aug	181.00	+2.00	181.50	180.00	1,611	8,088
Sep	182.25	+1.50	183.00	182.00	602	3,643
Oct	184.50	+2.00	184.50	183.50	365	4,388
Nov	184.50	-	-	-	97	1,902
Total					14,778	67,674

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.215	+0.009	2.250	2.185	21,386	22,848
Jul	2.240	-0.007	2.280	2.225	7,748	38,947
Aug	2.245	-0.009	2.280	2.240	2,550	20,332
Sep	2.225	-0.014	2.280	2.225	1,575	16,870
Oct	2.230	-0.010	2.265	2.230	1,276	18,909
Nov	2.330	-0.005	2.350	2.325	256	7,774
Total					38,150	208,817

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	66.85	+0.32	67.10	66.15	18,516	30,279
Jul	65.10	+0.23	65.40	64.55	11,482	33,789
Aug	63.95	+0.23	64.20	63.65	2,626	10,674
Sep	62.65	+0.13	63.10	62.65	1,002	4,614
Oct	60.15	-	60.20	59.95	62	3,173
Nov	59.80	+0.08	59.80	59.80	43	1,879
Total					33,731	92,226

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	88.00	+1.50	-	-	-	2
Jul	89.00	+1.00	89.25	88.50	122	1,513
Sep	92.10	+0.50	92.25	91.75	51	121
Nov	94.10	+0.50	94.25	93.75	288	3,466
Jan	96.10	+0.50	96.25	96.00	68	1,564
Mar	98.10	+0.50	98.00	97.75	20	706
Total					595	7,798

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Jul	377.25	-5	384.75	378.50	11,433	49,488
Sep	384.50	-5	393.00	384.50	1,870	13,014
Dec	397.00	-4.5	403.50	396.00	1,528	17,216
Mar	398.75	-4.25	404.25	398.00	178	1,411
May	383.00	-2	390.00	385.00	-	17
Jul	376.00	-0.5	376.00	376.00	18	357
Total					15,025	81,509

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Jul	273.25	-3.5	279.25	273.00	31,016	124,568
Sep	262.50	-1	265.75	261.50	3,215	28,967
Dec	260.75	-1.25	263.75	259.75	19,239	112,458
Mar	266.50	-1	269.00	266.25	796	12,057
May	270.50	-1.5	271.50	270.00	72	1,219
Jul	274.50	-1.25	275.00	273.25	59	2,957
Total					54,579	286,194

■ BARLEY LIFFE (100 tonnes; £ per tonne)

May	86.00	-	-	-	-	-
Sep	89.00	+0.75	88.30	88.30	-	29
Nov	91.00	+0.75	91.00	90.50	49	1,075
Jan	92.75	+0.50	92.50	92.50	3	139
Mar	94.60	+0.35	94.60	94.50	10	5
May	96.60	+0.35	-	-	-	-
Total					62	1,248

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jul	846.50	-0.75	859.00	845.00	43,586	95,008
Aug	816.00	-1.75	830.00	815.00	5,365	23,412
Sep	731.25	-2.25	740.00	730.50	1,748	9,230
Nov	689.00	-1.5	695.50	688.50	13,283	49,579
Jan	692.50	-1.75	699.00	692.50	282	5,010
Mar	699.00	-1.5	704.00	699.50	13	937
Total					64,372	184,592

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jul	23.63	+0.18	23.73	23.50	15,909	51,318
Aug	23.82	+0.18	23.92	23.72	3,625	14,212
Sep	23.99	+0.2	24.05	23.87	1,335	8,500
Oct	24.01	+0.18	24.05	23.92	977	8,920
Dec	24.20	+0.2	24.25	24.08	3,270	17,885
Jan	24.36	+0.2	24.40	24.27	76	1,073
Total					25,208	102,281

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jul	283.8	-1	288.0	283.0	16,790	51,885
Aug	268.6	-1.4	273.0	268.0	3,829	15,461
Sep	249.0	-2.4	254.0	249.0	1,556	9,412
Oct	233.0	-1.3	236.0	233.0	891	10,461
Dec	223.9	-1	226.8	223.0	3,881	19,711
Jan	220.0	-2.5	222.5	221.0	38	1,703
Total					26,892	110,742

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Jan	30.0	-	-	-	-	-
Nov	58.0	-	-	-	-	11
Mar	108.5	-	-	-	-	-
Apr	115.0	+1.5	117.0	114.0	121	771
May	127.5	-	-	-	-	-
Total					121	782

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

May	1300	+5	-	-	-	538
Jun	1240	+5	1240	1230	50	432
Jul	1165	-10	1165	1160	26	1,092
Oct	1325	-5	1325	1315	14	514
Jan	1350	-10	-	-	-	57
Apr	1385	-10	-	-	-	-
Total					98	2,633

	Close	Prev
BFI	1291	1288

FUTURES DATA
All futures data supplied by CMS.

Wool
There were no Australian sales this week, but the main indicator at closing sales there in the previous week was within 3 cents of a seasonal peak. Auctions held in South Africa and New Zealand after a two-week gap both underpinned the Australian trend. Merinos in South Africa were appreciably dearer, with the main indicator 5 per cent higher at 2,230 SA cents a kg and middle-range merinos outstandingly strong with the indicator for 23 micron up over 13 per cent at 2,341 SA cents a kg. A small offering of merinos in New Zealand also brought rising prices and the fine-segment indicator was up 46 cents to 919 NZ cents a kg. Crossbred wool sold at mixed comparisons, but broader categories were dearer, for the third successive sale. Thus the week confirmed a widening recovery trend for wool as a commodity.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1009	+6	990	990	-	40
Jul	1029	+1	1036	1022	964	28,391
Sep	1046	-	1054	1042	531	15,439
Dec	1038	-	1044	1036	595	28,875
Mar	1048	+1	1054	1046	578	31,518
May	1058	+2	1062	1056	375	18,089
Total					3,410	141,331

■ COCOA CSCE (10 tonnes; $/tonnes)

Jul	1463	-23	1498	1460	4,969	32,417
Sep	1493	-19	1523	1490	770	13,805
Dec	1526	-18	1552	1522	73	18,286
Mar	1551	-18	1577	1550	444	20,711
May	1573	-18	-	-	30	8,531
Jul	1593	-18	-	-	-	502
Total					6,478	96,289

■ COCOA (ICCO) (SDR's/tonne)

May 21	Price	Prev. day
Daily	1146.07	1140.07

■ COFFEE LIFFE (5 tonnes; $/tonne)

May	2012	-8	2070	2040	35	299
Jul	2082	-8	2145	2081	2,242	25,013
Sep	2100	-15	2173	2100	2,109	16,767
Nov	2105	-12	2180	2115	729	6,490
Jan	2085	-5	2145	2095	82	2,536
Mar	2060	-5	2120	2120	10	342
Total					5,207	51,470

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Jul	260.30	+7.20	265.00	254.00	6,957	15,157
Sep	229.95	+4.90	233.50	226.25	2,610	7,464
Dec	199.85	+3.70	202.15	197.00	835	4,889
Mar	183.35	+0.35	188.00	183.00	243	1,982
May	175.65	+2.65	177.00	175.00	63	410
Jul	168.50	+0.40	169.50	169.50	42	157
Total					10,756	30,217

■ COFFEE (ICO) (US cents/pound)

May 21		Prev. day
Comp. daily	186.46	181.73
15 day average	172.16	170.09

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Aug	320.3	-1.1	322.0	319.5	2,119	12,558
Oct	310.6	-0.7	311.9	310.2	333	6,453
Dec	308.0	-0.9	309.2	307.0	176	1,908
Mar	307.7	-1.1	309.5	307.9	159	1,528
May	306.9	-1.4	309.0	307.5	41	679
Aug	306.3	-1.5	308.5	306.9	55	404
Total					2,923	23,717

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Jul	11.06	-0.09	11.21	10.94	13,260	74,657
Oct	10.87	-0.05	11.00	10.78	4,480	42,745
Mar	10.82	-0.02	10.90	10.75	2,085	24,794
May	10.75	-0.02	10.80	10.70	131	6,041
Jul	10.68	-0.02	10.73	10.70	226	2,676
Oct	10.59	-0.02	10.68	10.65	4	560
Total					20,182	152,028

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	72.61	+0.49	72.80	72.42	3,122	36,677
Oct	74.15	+0.48	74.25	73.85	406	3,878
Dec	74.85	+0.33	75.00	74.75	1,500	25,552
Mar	76.10	+0.35	76.15	76.05	219	3,574
May	76.85	+0.35	76.80	76.80	48	928
Jul	77.25	+0.35	77.25	77.20	20	334
Total					5,387	73,085

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jul	82.70	+0.35	84.70	80.80	1,262	16,225
Sep	84.65	+0.15	86.70	83.00	270	7,196
Nov	87.20	+0.45	88.65	85.25	174	3,421
Jan	89.75	+0.75	90.55	88.00	21	1,587
Mar	92.00	+0.75	93.75	91.00	3	1,008
May	94.25	+0.75	95.00	93.50	72	266
Total					1,739	29,764

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 21	May 20	month ago	year ago
2013.8	2013.8	1958.9	2147.6

■ CRB Futures (Base: 1967 = 100)

May 21	May 20	month ago	year ago
252.37	251.00		

■ GSCI Spot (Base: 1970 = 100)

May 21	May 20	month ago	year ago
201.26	199.73	194.98	209.73

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,025	to	758,525
Aluminium alloy	-100	to	62,600
Copper	-975	to	139,010
Lead	-75	to	118,025
Nickel	-234	to	50,442
Zinc	-3,800	to	430,850
Tin	+230	to	11,390

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	65.325	+0.1	65.500	65.050	5,259	28,967
Aug	65.450	+0.15	65.700	65.125	3,214	37,456
Oct	68.975	+0.125	69.125	68.675	1,556	18,384
Dec	71.275	+0.325	71.375	70.925	648	9,471
Feb	71.150	+0.2	71.425	71.000	190	5,180
Apr	73.125	+0.325	73.250	72.850	26	1,676
Total					10,913	101,147

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Jun	81.375	-0.375	82.125	81.250	5,674	11,709
Jul	82.050	-0.525	82.850	81.900	3,912	10,679
Aug	79.775	-0.45	80.525	79.625	2,714	7,018
Oct	72.475	-0.65	73.300	72.400	832	5,564
Dec	70.400	-0.25	71.000	70.200	330	3,534
Feb	69.675	-0.075	69.750	69.600	118	1,800
Total					13,587	41,183

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	93.750	+1.325	93.750	92.000	33	197
Jul	94.150	+0.8	94.750	92.550	2,768	6,406
Aug	93.150	+0.75	93.850	91.750	455	1,674
Feb	79.650	+1.825	79.825	78.700	83	379
Mar	78.500	+2	78.850	78.850	2	9
Total					3,341	8,671

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	124	144	0	11
1600	34	74	10	39
1700	1	30	77	94
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2400	215	142	1	70
2500	123	91	10	118
2600	54	55	40	180
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
2000	148	261	66	181
2050	119	263	87	213
2100	95	250	113	250
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1000	46	80	17	32
1025	32	66	28	43
1050	21	53	42	55
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1950	-	-	25	51
2000	-	-	-	71
2050	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$19.24-9.35	+0.295
Brent Blend (dated)	$20.10-0.13	+0.355
Brent Blend (Jul)	$20.25-0.28	+0.405
W.T.I.	$21.98-2.00z	+0.39

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$222-224	+3
Gas Oil	$181-184	+2.5
Heavy Fuel Oil	$80-82	-2
Naphtha	$188-191	+1.5
Jet fuel	$197-198	+2.5
Diesel	$187-189	+2

■ NATURAL GAS (Pence/therm)

Bacton (Jun)	11.3-11.5	+0.3

Petroleum Argus, Tel. London (0171) 359 8792

IPE (Jun)	11.440	+0.24

■ OTHER

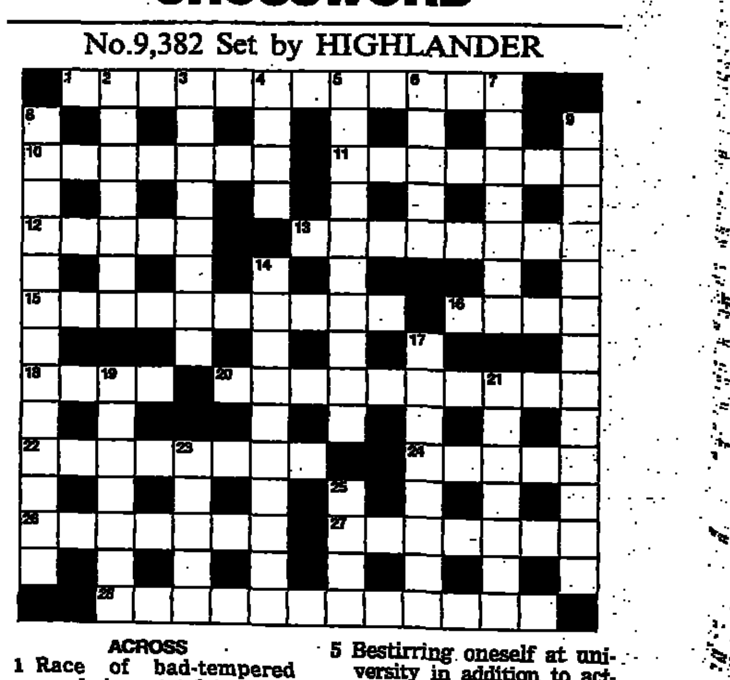
Gold (per troy oz)♣	$343.25	+0.40
Silver (per troy oz)♣	469.00c	-2.50
Platinum (per troy oz.)	$388.25	-4.75
Palladium (per troy oz.)	$174.50	+4.50
Copper	122.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.13r	
Tin (New York)	269.5	+1.0
Cattle (live weight)	90.33p	+0.43*
Sheep (live weight)	125.55p	-19.68*
Pigs (live weight)†	104.47p	-4.11*
Lon. day sugar (raw)	$271.30	+1.40
Lon. day sugar (wte)	$327.00	+2.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	72.50p	
Rubber (Jul)♥	72.50p	
Rubber (KL RSS No1)	276.5x	-1.00
Coconut Oil (Phil)§	662.5y	+2.5
Palm Oil (Malay.)§	550.0w	+2.5
Copra (Phil)§	$425.0y	
Soyabeans (US)	214.5	
Cotton Outlook'A' Index	79.25c	
Wooltops (64s Super)	415p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Jun y May/Jun♥ z Jul London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,380 head of pigs sold.

JOTTER PAD

CROSSWORD

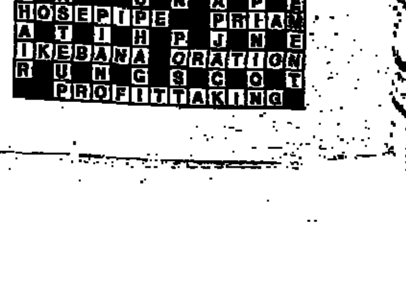
No.9,382 Set by HIGHLANDER



ACROSS
1 Race of bad-tempered people in a state? (5-7)
10 Nothing at dinner possibly needed for porridge (7)
11 Boasted after appearance in *flying team* (7)
12 Disallow nearly everything trite (5)
13 Water from a reservoir disposal (5,3)
15 Taxi late – no arrangement for improvement in rank (10)
16 *Pornography turns* stomachs (4)
18 Airmen on front of the wooden platform (4)
20 Play quietly for note from musical instrument (10)
22 Staff help mostly social workers (8)
24 *Determined to start fight* (3,2)
26 Unusual objects each containing toxic concoction (7)
27 Perhaps Crosby company heard Nelson Edward Riddle initially (7)
28 G. E. Bolt, awful bounder and habitual *traveller* (12)

DOWN
2 Rubbish reported below and round building (7)
3 Son allowed to rise late, appearing like a star (8)
4 Telephone bid for bridge contract (4)
5 Bestirring oneself at university in addition to acting (2,3,5)
6 Starts to take hard liquor and drum incessantly (5)
7 Police HQ takes weapon found on top of ship's sail (7)
8 Betrayed twice over and finally thwarted (13)
9 To succeed comprehensively, wield new broom on governing body (5,3,5)
14 Band swallows drinks for erotic entertainment (10)
17 Cricket side plug by-product (8)
19 220 yards of old hair from end to end (7)
21 Train the following as attendants (7)
23 I depart after a French gentleman friend (5)
25 Second vehicle to leave mark on bare rockface (4)

Solution 9,381



FT MANAGED FUNDS SERVICE

Offshore Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 424949335

Fidelity Funds - Contd.

Fleming Group (u)

Mercury Asset Management - Contd.

ACM Global Investment - Contd.

Credis Investment Funds - Contd.

Credit Commercial de France

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الأصل

هكذا من الأجل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Ireland) Ltd

PD Box 121, St Peter Port, Guernsey 01481 726726

	Selling Price	Buying Price	+ or -	Yield Gross
Emerging Markets Bond	$1.414	1.520	+0.003	-
US$ Emerging Stockmarket	$0.945	1.016	-0.012	-
US$ European Stockmarket	$1.324	1.423	+0.013	-
DEM European Stockmarket	DM1.663	1.788	+0.024	-
US$ Managed Currency	$0.930	1.000	—	-
DEM Managed Currency	DM0.930	1.000	—	-
Sterling Managed Currency	£0.930	1.000	—	-
US$ Intl Fixed Interest	$1.085	1.167	+0.004	-
DEM Intl Fixed Interest	DM1.112	1.185	+0.008	-
Sterling Intl Fixed Interest	£1.075	1.156	+0.003	-
US$ Managed	$1.160	1.247	-0.005	-
DEM Managed	DM1.285	1.361	+0.001	-
Sterling Managed	£0.985	1.070	-0.007	-
US$ Intl Stockmarket	$1.213	1.304	+0.001	-
DEM Intl Stockmarket	DM1.271	1.367	+0.007	-
Sterling Intl Stockmarket	£1.077	1.158	-0.008	-
US$ Special Market	$0.837	0.900	-0.019	-
DEM Special Market	DM0.968	1.041	-0.003	-
Sterling Special Market	£0.865	0.930	-0.015	-
[illegible]	£1.045	1.124	-0.007	-
[illegible]	DM0.935	1.005	+0.005	-
Perpetual UK Growth	£1.029	1.106	-0.015	-
GT Investment	$0.952	1.024	+0.003	-
[illegible]	DM1.061	1.141	+0.009	-
[illegible]	$0.871	0.936	—	-
GT NICS	$0.859	0.929	-0.006	-

OTHER OFFSHORE FUNDS

KNOWING YOUR INVESTORS IS

Strong relationships. There's no better way to establish needs and solve

ONE THING. KNOWING COUNTLESS

complex issues. That's why we offer an extensive range of products and services

DERIVATIVES IN 20 LANGUAGES IN

integrated with customised technology solutions. Because, while no one knows

125 STOCK MARKETS IS ANOTHER.

your investors like you do, no one knows today's institutional investors like we do.

STATE STREET

Serving Institutional Investors Worldwide℠

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price
Buying price - Offer or issue price
OEIC - Open Ended Investment Company
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) 0001 to 1100 hours
(♦) 1101 to 1400 hours
(♠) 1401 to 1700 hours
(♣) 1701 to midnight
E Exit charge on sale of units
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
b Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
■ Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
▲ Offered price includes all expenses except agent's commission.
z Previous day's price
§§ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies
♦ Yield column shows annualised rate of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	✝	458xd	+4½	553	407½	4,737	6.5	13.7
Bulmer (HP)	✝	527½	—	606	477	278.5	3.2	15.7
Burn St Dist	✝	68½	—	137	55	33.5	7.5	14.1
Glenmorangie A		945	—	1040	815	128.5	1.3	Φ
B		1065	—	1140	868	47.8	0.8	Φ
Grand Met	✝	575	+12½	613	411½	12,067	3.6	18.2
Guinness	✝	573½	+12	615	429	10,959	3.5	16.4
Highland	✝	328½xd	—	339	320	492.2	3.2	15.4
5¾pc Cnv Bds		95	—	101½	94¼	—	—	—
Kirin Y		618¼	-7¾	844	[illegible]	8,512	1.0	—
Matthew Clark		262½	-1	803	256½	232.3	11.4	12.5
Merrydown	✝	72½	—	143	72½	7.59	7.9	9.8
Seagram C$		623½	[illegible]	£25¼	£20¼	8,491	1.3	—

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
BG	✝W	195½xd	-½	204½	134	8,806	8.1	19.5
Centrica		65¾	+2¼	77½	55	2,849	—	—
International Energy	✝	93½xd	—	100	84½	52.7	5.9	11.5

ENGINEERING - Cont.

HEALTH CARE

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Rio Algom	♥	1813	[illegible]	1863	1113	720.0	1.9	
Royal Bk Canada C$		2813	[illegible]	2874	1413	8,374	2.5	
Toronto-Dom C$		1813	[illegible]	1813	1113	5,534	2.7	
Trans Can Pipe C$	♥	11¾	[illegible]	12¾	8½	2,093	4.5	
Western Star Trucks C$		1813	[illegible]	21¾	14¾	180.5	-	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£25	...	*£31½	£20¼	1,816	3.0	♦
Barlow	‡†	£8½	[illegible]	£9½	£5½	1,288	2.3	12.9
Gold Flds Prop R	†	133½	[illegible]	171½	120	13.7	6.6	10.0
SA Brews		£17½	[illegible]	£24½	£13½	5,202	2.2	♦
Standard Bank		£28½	[illegible]	£31½	£21	3,816	1.2	26.2
Tiger Oats	†	1021	...	1160	770	1,536	1.9	19.7
Toogaat-Hulett		767	+5	1125	676¼	736.1	2.6	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these *foreign securities are converted* into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on *Monday*

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at *par value*, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ *Figures or report awaited*
- ♥ Rule 21(a)(v) Overseas Incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish Incorporated non-listed companies.
- # *Price at time of suspension*
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ *Unregulated collective investment scheme*

a Yield based on annualised dividend
b Figures based on *prospectus or other official estimates.*
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for *1996-97*
G Assumed yield after pending scrip and/or rights issue
K Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised *yield, p/e based on prospectus or other official estimates.*
W Pro forma figures
Z Dividend yield to date

Abbreviations:
xd ex dividend,
xc ex scrip issue,
xr ex rights,
xa ex all,
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT9660. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, *latest survey of City profit forecasts and investment* recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45
Focus Plus (FT and Investors Chronicle news) £10.95
To order, call 0121 200 4678.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price *pages* for details.
Calls are charged at 50p per minute at all times.
An International service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.
Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Gilts weakness takes shine off equity market

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

UK shares shrugged off early nervousness triggered mostly by a weak showing from global bonds. Dealers preferred instead to focus on the latest flurry of takeover rumours.

The rumours were again mostly concentrated in the financial areas of the market and specifically in the insurance sector which is gathering itself for next month's flotation of Norwich Union.

Just as the banking sector was set alight by the much better than expected flotation of Alliance & Leicester, the big insurance stocks have been attracting strong buying interest on the view that Norwich shares will perform similarly.

There was also talk that unofficial "grey market" dealings had commenced in the Halifax building society. . The shares were said to have been initially quoted above 700p.

At the close of trading, the FTSE 100 was 9.8 higher at 4,651.8, completing a good recovery which saw the index recoup an early 18.5 decline. The FTSE 250, meanwhile, closed at the day's lowest point, up 1.1 at 4,501.5, after a session high of 4,508.3, weakened by the sharp fall in transport stocks after the referral of National Express's proposed acquisition of Scotrail. That news triggered heavy losses in National Express, FirstBus and Stagecoach. The FTSE SmallCap extended its recent underperformance, losing 1.6 more to 2,300.0, having dipped below the 2,300 level at one point.

The initial slide was triggered by overnight weakness in US bonds and a sluggish showing by Wall Street, where the Dow Jones Industrial Average had finished the session 12 points lower.

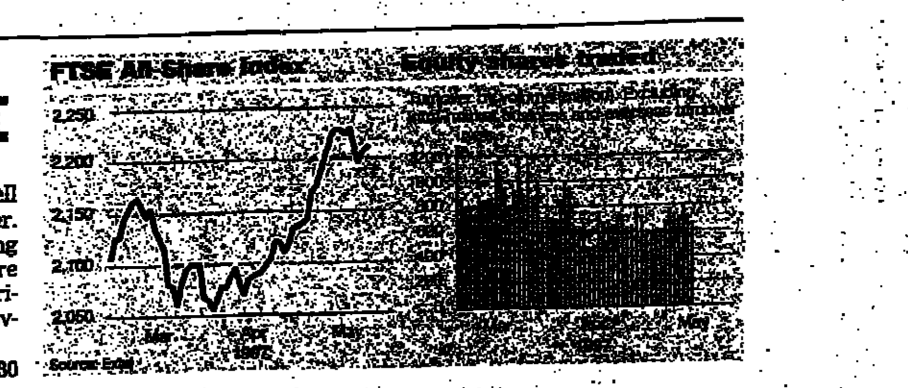
UK dealers were surprised at London's resilience in the face of another poor performance by gilts, which extended opening losses and closed under some serious downside pressure. Longer dated stock was down 1¾ points after a disappointing gilts auction – £1.5bn of 25-year stock. Bids at the auction covered the issue only 1.29 times, much lower than the three times cover for Tuesday's auction of the same amount of five-year gilts.

The day's economic news, retail sales for April and the Confederation of British Industry's latest survey of monthly trends for May, gave slightly conflicting views. The 0.1 per cent rise in retail sales was partly responsible for the stock market's rally after its difficult start.

The FTSE 100 still closed well below the session high, however. And, once again, it was looking distinctly unhappy just before the close, when gilts were seriously weak and Wall Street moving decisively lower.

The Dow was down over 30 points shortly after London closed.

Marketmakers in London generally remained wary of the equity market performance, which they said was at odds with the continued weakness in gilts. "It can only be the bid stories and the Halifax/Norwich Union effect that is keeping the market up," said one senior trader. Turnover at 6pm was 834.2m shares.



Indices and ratios

FTSE 100	4651.8	+9.8	FT 30	2997.5	+9.8
FTSE 250	4501.5	+1.1	FTSE Non-Fins p/e	18.76	18.65
FTSE 350	2253.3	+4.0	FTSE100 Fut Jun	4665.0	+8.0
FTSE All-Share	2212.70	+3.49	10 yr Gilt yield	7.32	7.18
FTSE All-Share yield	3.50	3.50	Long gilt/equity yld ratio	2.10	2.05

Best performing sectors		Worst performing sectors	
1 Alcoholic Beverages	+1.9	1 Pharmaceuticals	-0.9
2 Extractive Industries	+1.4	2 Diversified Industrials	-0.8
3 Tobacco	+1.3	3 Telecommunications	-0.5
4 Paper: Pckg & Printing	+1.0	4 Transport	-0.5
5 Property	+0.9	5 Retailers, Food	-0.4

Switch boosts Tesco

By Joel Kibazo
and Peter John

Food retailer Tesco was one of the day's worst performers, the shares falling 7 to 375p on a combination of switch advice from a broker and rumours of an acquisition.

BZW, which still rates the stock for the long term, yesterday suggested clients switch out of Tesco and into Safeway. Mr David McCarthy at the UK investment bank believes like-for-like sales growth at Tesco has fallen from 6 per cent to 4 per cent in recent weeks. He blames the decline in inflation for the retreat.

The early part of the session also brought another wave of rumours suggesting the company was poised to make an acquisition in France. Tesco denied the speculation and said there were no further moves into France being planned. "There's nothing other than what we've already got out there with Catteau," it said. The company acquired the French retailer Catteau in 1992.

Tesco shares have been strong recently, hitting an all-time high of 394p at the end of last week. Dealers attributed some of the buying of the stock to UBS, the group's broker, which was said to be acquiring stock for the company's employee share option scheme.

Safeway put on 7 to 366½p, in trade of 8.5m. A two-way pull in both J. Sainsbury and Asda saw shares in the former close half a penny lower at 361½p, after trade of 6.8m while the latter shed half a penny to 119p.

Reed International retreated 18 to 607½ – the biggest fall in the Footsie – following a US press report that a rival had lost much of its US copyright protection after a federal court decision. Reed has a big legal publishing arm in the US and while all law rulings are in the public domain, the report reminded investors that Reed does not have proprietary control.

Meanwhile, Merrill Lynch used the opportunity to lower its rating and forecasts on the company.

The broker shaded its "buy" stance to a more cautious "accumulate".

And it cut its current year profit forecast by 3.5 per cent to £864m. Dealers said NatWest and Fleming Securities were also poised to downgrade their stances or forecasts on Reed.

The shares have performed strongly in an underperforming sector, partly as a consequence of the recent one-for-one share split.

Shares in Reuters Holdings jumped sharply in afternoon trading as word whipped round dealing rooms that one US broker had published an enthusiastic buy recommendation. It transpired that Prudential Securities in the US initiated coverage of the stock with a buy rating and set a 12-month share price target of $78.

American Depositary shares of Reuters Holdings were trading at $65½ and, in the UK, Reuters was up more than 20 at one stage before ending the day 11½ higher at 677p.

Banking issues ran into profit-taking, with National Westminster dragged back 8½ to 783½p as dealers pointed to a line of stock overhanging the market.

Abbey National fell 8 to 917½p while Barclays shaded 4 to 208½p. But Halifax, the motor behind the sector's drive, was apparently being sought out at a premium price ahead of flotation on June 2.

Dealers said the unofficial "grey" market was 700p a share.

Glaxo-Wellcome shed 15 to £12.20p with some brokers suggesting that US investors have been lightening their American Depositary Receipt holdings in the pharmaceuticals giant. Glaxo said that the ADR weighting was 9.46 per cent.

BAT Industries improved 13 to 572 after a favourable Maryland court action on a tobacco lawsuit.

Insurers gained ground ahead of next month's launch of Norwich Union. Legal & General, which is expected to be the closest proxy for Norwich in terms of market capitalisation, added 5 at 460½p.

Annual meeting anticipation took two stocks in different directions.

Laporte, the chemicals group, gained 6 to 652½p ahead of today's AGM while Burmah-Castrol dipped 11 to £10.11½p.

Oil prices were higher but the rally in the majors showed signs of petering out. Shell Transport, buoyed by its presentation earlier this week, was up strongly in early trading and ended 5½ higher at £11.86p.

BP, with the indigestion caused by the Kuwait Investment Office's big disposal beginning to ease, added 4½ at 731½p.

Centrica rose in active trade as ABN Amro Hoare Govett raised the stock to "buy" from a "hold" and set a price target of 73p.

The stock was up 2½ at 66½p in volume of 21m, making it the best performer in the Footsie and the most actively-traded stock in London.

Better than expected figures from Storehouse saw the shares appreciate 7 to 223½p. However specialists remained cautious about the group's ability to push sales forward.

Cazenove and SBC Warburg, joint brokers to the company, were said to have downgraded current year profit expectations by £5m to £130m.

The Storehouse figures helped boost several other retailers. Boots rose 10½ to 713½p, while Kingfisher gained 10 to 717p. Marks and Spencer, which reported figures on Wednesday, closed 5½ ahead at 500½p.

Nikko rates the shares a "buy" and in a note to clients said: "The foundations have been laid for significant global expansion."

The firm market trend helped aerospace issues shrug off worries about a delay in the Euro-fighter project.

TI Group was one of the best performing stocks among constituents of the FTSE 100 and the shares closed 12½ to 542p. British Aerospace, which dealers believe will soon benefit from the lifting of the ceiling on foreign ownership of its stock from the present 29.5 per cent, gained 13½ to 232½p. The same hopes boosted Rolls-Royce. The shares hardened 3½ to 248½p.

The shockwaves from Wednesday's announcement about Celltech's septic shock treatment continued to reverberate through the market. The shares slid another 8½ to 332½p.

Eagles, the AIM quoted rugby club which was floated at 40p a share on Wednesday, fell 2½ to 31p yesterday. The club said it was changing its head coach because "the board felt it had to deal with the recent poor performance on the field by taking this difficult decision".

FT 30 INDEX

	May 22	May 21	May 20	May 19	May 16	Yr ago	*High	*Low
FT 30	2997.5	2987.7	2961.9	2978.3	3014.3	2767.0	3018.6	2669.8
Ord. div. yield	3.67	3.68	3.71	3.69	3.63	3.98	4.22	3.62
P/E ratio net	18.10	18.05	17.91	18.01	18.27	16.21	18.33	15.80
P/E ratio nil	17.92	17.87	17.73	17.82	18.09	15.99	18.14	15.71

FT 30 since compilation: high 3018.6 13/05/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2984.2	2985.6	2994.6	3003.1	3001.2	2998.2	2998.5	3002.4	3000.3	3003.9	2980.4

	May 22	May 21	May 20	May 19	Yr ago
SEAQ bargains	45,222	48,259	46,559	48,374	51,082
Equity turnover (£m)†	-	NA	NA	NA	2594.2
Equity bargains†	-	NA	NA	NA	47,139
Shares traded (ml)†	-	NA	NA	NA	657.5

†Excluding intra-market and overseas turnover but including Crest turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	775	Total Highs	92	Total contracts	33,534
Total Falls	621	Total Lows	54	Calls	19,335
Same	1,676			Puts	14,199

May 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4641.0	4665.0	+8.0	4682.0	4636.0	12624	70728
Sep	4675.0	4700.5	+9.0	4705.0	4675.0	223	5129
Dec	4740.0	4748.0	+10.0	4740.0	4740.0	8	522

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

Jun	-	4512.0	+1.0	-	-	0	5963
Sep	-	4563.5	+1.0	-	-	0	300

■ FTSE 100 INDEX OPTION (LIFFE) (*4652) £10 per full index point

[illegible]

Calls 3,645 Puts 2,887

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 4,155 Puts 6,630 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,486	655	532½	Alliance & Leic	599	-1	L16.5	2.5	3.4	14.7
§	F.P.	94.2	1200	820	Aston Villa	822½	-2½	R8.8	1.8	1.3	45.2
-	F.P.	3,939	308½	264½	Cable & Wireless	284½	-1				
-	F.P.	-	102	97½	Caradon B	99½					
§130	F.P.	16.1	150½	132½	†Comino	145½		2.25	4.5	1.9	13.5
§	F.P.	13.1	87½	70½	Donatantonio	85½		0.5		0.7	
100	F.P.	25.0	100	100	Downing HI VCT	100					
100	F.P.	14.8	148½	122½	†Dragons Hlth Clbs	147½					27.8
§40	F.P.	3.02	42½	31	†Eagles	31	-2½				
§140	F.P.	12.1	147½	118½	Heart of Midlthn	119½	-10½				
§	F.P.	7.18	164½	159½	†ITG	160					
100	F.P.	3.15	105½	102½	†Integrated As Mg	105					
§110	F.P.	5.13	130½	122½	†Lady in Leisure	123½					
§	F.P.	3.76	119½	112½	Longbridge Intl	119½					18.7
-	F.P.	19.8	99½	97½	Mris Comis ISG Inc	98		M7.4		9.4	
-	F.P.	6.16	93½	89½	Oo Cap	91½					
80	F.P.	19.8	54½	47½	†NMT	50½					
§10	F.P.	5.40	14½	12	†Newmark Tech	12					
-	F.P.	32.2	172½	157½	Partners Hldgs	172½					19.9
100	F.P.	8.00	100	100	Perine AIM VCT	100					
-	F.P.	17.8	70½	39½	†Petra Diamonds	60½	-2				
-	F.P.	0.89	16½	13½	†Po Warrants	16½					
145	F.P.	21.8	155½	150	Qualceram	155½		Q22.6		1.5	
§117	F.P.	16.2	124½	120½	Salehurst	122½		L3.75	1.3	3.8	18.6
§100	F.P.	10.8	108½	102½	†Soccer Investmnt	107½					
§5	F.P.	5.40	4	3½	Velasita Group	3½					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 21	% chg on day	May 20	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1988.47	+0.8	1988.60	2323.39	2.19	-	2346.06	1468.60
■ Regional indices								
Africa (14)	1782.04	-0.1	1784.09	3084.44	5.00	30.90	3144.05	1724.99
Australasia (6)	1775.45	+1.1	1755.89	2538.30	3.03	24.75	2677.22	1755.99
North America (11)	1475.54	-0.1	1476.93	2066.00	0.98	208.23	2128.45	1336.84

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 22	Day's chge%	May 21	May 20	May 19	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4651.8	+0.2	4642.0	4607.5	4645.2	3747.0	3.52	2.05	17.25	74.25	1979.46
FTSE 250	4501.5	-	4500.4	4489.0	4510.4	4501.4	3.61	1.56	21.99	66.44	1872.22
FTSE 250 ex IT	4515.2	-	4514.7	4503.6	4525.8	4536.9	3.75	1.61	20.78	65.13	1883.30
FTSE 350	2253.3	+0.2	2248.3	2234.8	2251.5	1899.1	3.53	1.98	18.08	35.43	1957.95
FTSE 350 ex IT	2253.2	+0.2	2249.3	2234.7	2251.7	-	3.56	1.97	17.64	3.14	1003.94
FTSE 350 Higher Yield	2196.0	+0.2	2193.2	2176.0	2194.3	1818.0	4.55	1.63	15.07	42.64	1617.82
FTSE 350 Lower Yield	2313.8	+0.1	2310.5	2295.6	2313.9	1987.5	2.60	2.19	22.81	27.62	1645.51
FTSE SmallCap	2299.95	-0.1	2301.57	2304.47	2311.45	2236.97	3.05	1.71	24.04	28.16	1945.17
FTSE SmallCap ex IT	2292.84	-0.1	2294.75	2296.98	2306.44	2233.85	3.27	1.79	21.41	30.29	1954.88
FTSE All-Share	2212.70	+0.2	2209.21	2196.14	2211.91	1886.24	3.50	1.94	18.41	34.22	1951.19
FTSE All-Share ex IT	2212.44	+0.2	2208.97	2195.71	2211.82	-	3.54	1.96	18.02	2.89	1003.32

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

Time of FTSE 100 Day's high: 2:53 PM Day's low: 8:43 AM. FTSE 100 1997 High: 4651.8 (22/05/97) Low: 4056.6 (10/01/97)

 Further information is available on http://www.ftse.com or contact FTSE International on +44 (0)171 448 1810. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Base, part of FT.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 22 / Sch)

BELGIUM/LUXEMBOURG (May 22 / Frs.)

CZECH REP (May 22 / Koruna)

DENMARK (May 22 / Kr)

FINLAND (May 22 / Mka)

FRANCE (May 22 / Frs.)

GERMANY (May 22 / Dm.)

GREECE (May 22 / Drachma)

ITALY (May 22 / Lira)

NETHERLANDS (May 22 / Fls.)

NORWAY (May 22 / Kroner)

POLAND (May 22 / Zloty)

PORTUGAL (May 22 / Escudo)

SPAIN (May 22 / Pts.)

SWEDEN (May 22 / Kronor)

SWITZERLAND (May 22 / Frs.)

TURKEY (May 22 / Tk Lira)

PACIFIC

JAPAN (May 22 / Yen)

HONG KONG (May 22 / H.K.$)

INDONESIA (May 21 / Rupiah)

MALAYSIA (May 22 / MYR)

NEW ZEALAND (May 22 / NZ $)

SINGAPORE (May 22 / S$)

AUSTRALIA (May 22 / Aust$)

SOUTH KOREA (May 22 / Won)

TAIWAN (May 22 / TW $)

THAILAND (May 22 / Baht)

AFRICA

SOUTH AFRICA (May 22 / Rand)

NORTH AMERICA

CANADA

TORONTO (May 22 / Can $)
4 pm close

MONTREAL (May 22 / Can $)
4 pm close

INDICES

	May 22	May 21	May 20	1997 High		1997 Low	
India							
BSE Sens.(1979)	3730.78	3735.01	3768.30	3944.81	4/3	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	(c)	654.09	652.82	712.60	26/2	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3249.43	3248.30†	3218.55	3251.31	16/5	2725.07	2/1
Italy							
Banca Comm Ital(1972)	778.24	764.29	778.91	797.71	10/2	642.55	2/1
MIB General(2/1/97)	1173.0	1181.0	1173.0	1197.00	10/2	991.00	2/1
Japan							
Nikkei 225(16/5/49)	19877.39	19841.98	20332.83	20489.75	19/5	17303.65	10/1
Nikkei 300(1/10/82)	285.03	285.13	291.06	293.64	6/5	261.04	27/1
Thailand							
Bangkok SET(30/4/75)	581.39	586.19	(c)	868.87	22/1	557.87	15/5
Turkey							
IMKB Nat 100(1986)	1471.0	1509.0	1510.0	1654.00	21/3	985.00	2/1
WORLD							
MS Capital Intl$(1/1/70)	897.7*	902.0	902.8	902.00	21/5	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2389.29	2384.38	2337.33	2389.29	22/5	1893.80	2/1
FTSE E 100(26/6/90)	2002.98	2013.07	1987.72	2013.07	21/5	1582.99	2/1
HSBC JC Drgn(31/12/88)	(u)	405.46	404.80	429.46	20/1	381.54	29/4
ING Brngs Emrg(7/1/92)	(u)	178.24	175.02	181.33	28/2	169.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
May	2780.0	2734.0	-46.0	2737.0	2731.0	17,322	24,303
Jun	2758.0	2709.0	-46.0	2710.5	2710.0	1,371	28,080
DAX							
Jun	3607.0	3580.0	-29.5	3637.0	3573.5	26,573	151,240
Sep	3629.5	3606.5	-28.0	3656.0	3601.0	970	-
OMX							
May	2250.00	2244.00	-10.0	2258.00	2243.75	7,753	11,486
Jun	2259.25	2253.00	-10.0	2268.75	2251.50	6,677	12,435
SOFFEX							
Jun	5175.0	5156.0	-11.4	5190.0	5138.5	6,530	22,191
Jul	-	5167.0	-	-	-	4	1,459

US INDICES

Dow Jones	May 21	May 20	May 19	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7290.69	7303.46	7228.88	7333.85 (15/5)	6391.69 (11/4)	7333.85 (15/5/97)	41.22 (8/7/32)
Home Bonds	102.22	101.85	102.14	103.63 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2652.54	2673.64	2635.11	2673.64 (20/5)	2222.07 (2/1)	2673.64 (20/5/97)	13.23 (8/7/32)
Utilities	220.11	221.55	221.72	240.85 (22/1)	209.47 (25/4)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7385.47 (7338.02) Low 7218.89 (7123.38) (Theoretical♠)
Day's high 7352.91 (7313.35) Low 7239.18 (7152.84) (Actual♠)

Standard and Poors							
Composite‡	839.35	841.66	833.27	841.88 (15/5)	737.01 (2/1)	841.88 (15/5/97)	4.40 (1/6/32)
Industrials♥	991.23	991.22	982.57	991.82 (15/5)	865.42 (11/4)	991.82 (15/5/97)	3.52 (30/6/32)
Financial	93.34	94.94	93.10	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	436.21	437.20	434.14	437.65 (15/5)	389.47 (11/4)	437.65 (15/5/97)	4.64 (25/4/42)
Amex Comp.	592.08	590.76	587.48	603.63 (10/3)	541.20 (28/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1373.75	1363.88	1341.24	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	May 16	May 9	May 2	Year ago
Dow Jones Ind. Div. Yield	1.71	1.71	1.73	2.17
	May 21	May 14	May 7	Year ago
S & P Ind. Div. yield	1.67	1.68	1.72	1.83
S & P Ind. P/E ratio	23.39	23.89	23.33	22.71

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
US Airways	16,987,800	34¼	-3⅛
Seagate Tch	12,903,200	42⅞	-2⅝
Philip Mrrs	8,723,000	44⅝	+1⅞
AT&T	5,774,400	34⅛	+⅜
Compaq	5,520,700	102¼	+6
Westinghse	4,847,900	17	-⅛
Gen Elec	4,420,800	61⅞	-⅝
ABN Amro	4,069,500	118⅝	....
Hewlett-Pkd	4,019,600	53⅞	+1
Ford Motor	3,938,200	37¼	-⅛

■ TRADING ACTIVITY

● Volume (million)

	May 21	May 20	May 19
New York SE	527.656	450.053	398.558
Amex	17.436	15.601	13.903
NASDAQ	658.807	548.231	460.635
NYSE			
Issues Traded	3,332	3,347	3,333
Rises	1,421	1,418	1,397
Falls	1,107	1,046	1,060
Unchanged	804	883	876
New Highs	180	116	91
New Lows	10	7	10

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	843.10	843.00	+0.10	844.40	840.70	79,120	176,165
Sep	852.00	851.50	-	852.80	851.50	2,339	12,188

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	19860.0	19850.0	+30.0	19960.0	19690.0	21,337	233,728
Sep	19900.0	19930.0	+90.0	19940.0	19750.0	227	14,336

Open interest figures for previous day.

* Sat May 17: Taiwan Weighted Price 8141.12; Korea Comp Ex 708.25. Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX - all 1,000; SMI - 1500; JSE Gold - 255.7; JSE 20 Ind - 264.9; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 22 - 3575.44 -24.56. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, May 22, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	16.0m	343	-6	Honda Motor	5.9m	3310	-170
NKK Corp	12.4m	252	+5	Mitsubishi Hvy	5.7m	857	+10
Nissho Iwai	10.6m	491	+11	Taiyo Yuden	5.4m	1740	+170
Tokyo Gas	6.7m	320	+1	Canon	5.1m	2700	
Toyota Motor	6.3m	3340	-140	Sumitomo Mtl Ind	5.0m	299	+2

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

♣ FT Free Annual Reports Service
You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8097, or fax your request to +1 804 320 8135 or order online at http://www.icbc.com/cgi-bin/IL. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822)

3:30 pm May 22

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A -								
32	24¼	AAR x	0.48	1.6	23	397	30¾	30	30⅝	+½
43	33⅛	AMP x	1.04	2.6	32	2470	40	39½	39⅞	+⅛
98½	78¼	AMR			7	2985	98⅛	97¼	97¼	-¼
37⅝	31½	ASA x	1.20	3.8	21	220	31⅞	d31½	31¾	
67⅛	49¾	AbbtL	1.08	1.7	25	7510	63¾	63	63⅜	
17⅝	14⅛	Abitibi Pr	0.40	2.3	9	194	u17⅝	17⅜	17⅝	+⅛
19¾	17⅜	ABM Ind	0.40	2.1	17	55	19¾	19	19¼	+⅛
23	17¾	Acpincein			10	43	20¼	20⅛	20¼	+⅛
68⅜	58⅛	ACE Ltd	0.88	1.4	10	257	62⅛	61⅝	61⅞	-⅛
10¾	10	ACM Gvt In x	0.90	8.9	11	195	10⅛	d10	10⅛	
7⅝	7	ACM GvOpp x	0.63	8.4		19	7½	7½	7½	+⅛
9⅞	9¼	ACM Man x	0.90	9.4		349	9⅝	9½	9⅝	
10⅜	6¼	Acme Elect				9	6¾	6¾	6¾	-⅛
20	13	Acme Mills				27	15⅛	15	15⅛	+⅛
17⅜	14	ACMetsm			31	1105	u17⅜	16⅝	17¼	+¼
37⅛	27¼	Acordia x	0.80	2.2	17	394	36¾	35⅞	36¼	+¾
29¾	21⅛	Acuson				1617	26½	26	26	+¼
21⅞	19⅜	Adams Expr x	0.55	2.6	1	103	21⅝	21½	21½	-⅛
43½	24⅞	AdvMic				6580	41⅝	40⅝	41½	+½
15⅜	10⅜	Advest Grp	0.03	0.2	10	76	15¼	15	15	
14⅝	11⅜	Advo Inc		-	16	405	14⅜	13⅞	14	
75⅜	61⅛	Aegon x	1.45	1.9	21	127	75¼	74½	74⅝	-⅛
[illegible]										
		- B -								
[illegible]										
26¼	25⅛	Bay St Gas x	1.54	5.9	13	100	26⅜	26¼	26¼	-⅛
29⅜	15⅛	BBN				554	28⅞	28⅞	28⅞	
20¼	18⅛	Bd Tr 1838	1.56	7.8		39	19⅞	19⅞	19⅞	+⅛
8⅛	7½	BEA Inc	0.72	9.0		284	u8⅛	8	8	-⅛
9½	9	BeaStro	0.81	8.6		42	9⅜	9⅜	9⅜	
34	26	BearSt x	0.60	1.9	7	548	32⅞	32	32⅞	+¼
35⅞	27½	Bearings x	0.64	2.0	16	258	31⅝	31½	31⅝	
47⅛	37	Beckman In x	0.60	1.3	17	425	45¾	45¼	45⅝	+¼
51⅝	42¾	BectnD	0.52	1.1	20	2861	49¼	47¾	48⅛	-½
21¼	16⅝	BdfrdProp	1.08	6.1	14	58	18⅛	17⅝	17⅞	-⅛
71⅜	56¾	BellAtl	2.96	4.4	16	3614	68⅞	67⅜	67⅞	-¾
24	15¾	Bell In			10	142	18⅞	18¾	18⅞	
47⅝	38⅛	BelSth	1.44	3.3	16	7010	43½	42½	43	-⅜
39½	33¼	Belo A x	0.44	1.1	17	432	38½	38⅛	38½	+¼
43⅝	33⅝	Bemis x	0.80	2.0	21	278	39¾	39⅜	39½	-¼
67	63¾	Benef 4.3P	4.30	6.6		20	65½	65½	65½	
75¾	59½	Benet	2.08	3.2	13	2765	64	63¼	64	-⅞
28¾	22⅞	Benetton A x	0.38	1.4	17	6	u28⅞	28⅞	28⅞	+⅛
½	5/16	Benguet B			17	80	15/32	15/32	15/32	+1/32
37	27½	BergBr x	0.48	1.3	19	741	36⅛	35¾	36⅛	+¼
41400	33000	BerkHA				2	u42300	42000	42005	+605
1395	1088	BerkHB				58	u1414	1405	1409	+22
16¾	13⅞	Berry Petr	0.40	2.6	18	58	15⅜	15⅛	15⅜	
14⅛	7⅞	Best Buy				1343	u14⅛	14	14	-⅛
27½	25¾	Beth St 2. x	2.50	9.3		36	26¾	26½	26¾	+⅛
53⅛	48⅞	Bethlhm Pf x	5.00	9.7		28	51⅞	51½	51⅝	-⅛
10¼	7⅝	BethSt				7468	u10¼	10	10	-¼
67	54⅞	Btdsm	1.50	2.4	29	972	62¾	62¼	62¾	+⅞
[illegible]										
		- C -								
[illegible]										
		- D -								
[illegible]										
		- E -								
[illegible]										
		- F -								
[illegible]										
		- G -								
[illegible]										
		- H -								
[illegible]										
		- I -								
[illegible]										
		- J -								
[illegible]										
		- K -								
[illegible]										
		- L -								
[illegible]										
		- M -								
[illegible]										
		- N -								
[illegible]										
		- O -								
[illegible]										
		- P - Q -								
[illegible]										
		- R -								
[illegible]										
		- S -								
[illegible]										

Continued on next page

NYSE PRICES

4 pm close May 22

Continued from previous page

Yearly High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
23⅞	20¾	Yankee Egy	1.30	5.8	14	40	22⅝	22¼	22½	+⅛
55	37⅞	York Int	0.48	1.0	15	1977	48	47⅛	47⅞	+⅛
5	4	Zapata				130	4⅜	4¼	4⅜	
13⅛	9⅛	ZenithE				400	11⅛	10⅞	10⅞	-⅛
27⅞	24⅞	Zenith Nat	1.00	4.0	13	297	25⅜	d24⅞	25	-½
7½	7⅛	Zeus Inc x	0.73	10.1		253	7⅜	7¼	7¼	-¼
23¾	17¾	Zero x	0.12	0.6	16	356	21½	21⅛	21⅜	
11½	10¾	ZweigFd	1.16	10.2		199	u11½	11⅜	11⅜	
8¾	8	Zweig Tot x	0.84	9.7		651	u8¾	8⅝	8⅝	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ftf.

AMEX PRICES

4 pm close May 22

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
NY TimA	0.64	22	1815	46⁹⁄₁₆	46⁵⁄₁₆	46½	+⅜
NVR		7	60	14⅞	14¹¹⁄₁₆	14⅞	+⅛
...							
HanDir x			958	[illegible]	¾	[illegible]	
NatPatDev		5	80	7⅞	7⅜	7⅜	-⅛
Xytronix			68	1¼	1⅛	1¼	

NASDAQ NATIONAL MARKET

4 pm close May 22

- J -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
J&J Snack		23	98	14½	14⅛	14⅛	-¼
Jason Inc		14	64	6	d5¾	6	-⅛
Johnson W			12	13	12¼	13	
Jones Int			147	10⅝	10½	10⅝	
Jones Med	0.06	44	188	35¼	34½	34⅞	
JSB Fin x	1.40	18	258	u44½	42½	43½	+1
Juno Ltg	0.32	14	180	16¼	15¾	16	+¼
Justin	0.16	14	583	12	11½	12	+⅜

- K -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	3	25	332	13⅝	12⅝	13	-⅛
Keman Cp	0.44	24	800	14	13⅝	13¾	+⅛
Kelly Sv	0.84	14	219	28¾	27¾	27¾	-1
Kimball	1.04	14	212	39⅛	38¹³⁄₁₆	38¹⁵⁄₁₆	-⅛
KLA-Tn		25	7890	49	47.02	48¾	-¼
Koll A			444	⅝	d½	⅝	+⅛
Komag		19	12298	32¾	31¾	31⅞	+⅛
Kulicke S		28	93	32¼	31½	31⅞	-¼

- W -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Wang Lab			3506	20⅛	19½	19¾	-¼
Warrntech		33	93	11⅜	11	11	-¼
WashMut	1.00	15	18422	55⅝	55	55¼	-½
WatsinduA	0.31	17	298	25⅞	25⅜	25⅝	+⅛
Wausau PM	0.25	13	113	18⅜	18	18	-⅜
WD-40	2.48	20	105	57	54½	54½	-1½
Werner En	0.10	16	1645	20⅜	19⅝	20¼	+⅝
Wstam Bnc	1.04	17	222	69¹³⁄₁₆	69	69⅞	+⅞
WstpSIA		20	1506	38⅛	36⅞	37⅞	+1¼
Wst SealA		23	2425	u31⅛	30	30⅞	-¼
WmsSonoma		40	1613	35¼	34¾	35⅛	-⅞
Wolohan L	0.28	12	23	12⅜	12⅛	12⅜	+¼
Wrldcm			34442	26	25⅜	25¾	-⅛
Wthinds	0.48	20	1601	19⅛	18½	18⅝	-⅜
WPP ADR	0.10	22	416	40⅛	39¾	40⅛	-⅜
Wyman-Gdn	0.40	29	1891	23⅞	22⅝	22⅝	-1⅛

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		36	14646	54⅜	51⅝	52⅛	-2¼
Xircom		21	10113	14¾	13⅞	14⅜	+¼
Xoma Corp			1106	5⅛	4⅞	4¹⁵⁄₁₆	
Yellow			1798	19⅝	19⅛	19½	+¼
York Rsch		16	415	8	7½	7¹³⁄₁₆	-⅛
ZionsUtah	0.44	17	1621	32⅞	31⅜	31⅜	-1⅜

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5.25		2500	8.25	7	Esprit Telecom ADS	US$7.25	+1.25	15500	12.25	5.375
Artwork Systems	US$11	+0.125	59065	11	9.5	Innogenetics	US$11.25		22670	12.75	10.375
Chemunex	FFr16		90008	18	16	Mercer Internl.	US$10.125		0	11.75	8.125
Dr Solomon's ADS	US$21.75	-0.125	0	35.5	16.875	PloTech	US$4.5		0	6.125	4.25

Prices for 22/5/97. Please note that mid prices are now used to calculate highs and lows

Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 469 9990).

Dow dips as long yield nears 7%

AMERICAS

US shares were weak as long-term bond yields threatened to break through the psychologically important 7 per cent barrier, *writes Jane Martinson in New York*.

The Dow Jones Industrial Average *fell 29.26 to 7,261.43* at midsession while the broader based S & P 500 fell 2.46 to 836.89.

Pressure from hedge funds helped to push the 30-year benchmark bond down to 95$\frac{13}{32}$, yielding 6.983 per cent. Its move above 7 per cent triggered the stock market's sell-off earlier this year.

After reacting positively to Tuesday's Fed decision not to raise interest rates, the Dow and S & P 500 are trading roughly in line with their Monday levels. Mr Joseph Cliggott, US equity strategist at J.P. Morgan, said: "There's been pretty much of a ho-hum reaction *to the Fed not doing anything.*"

However, Mr Cliggott believed that while "7 per cent may not be a magic number" there is some room for bonds to improve against the larger companies. His research suggested that the S & P 500 was 4 per cent overvalued against bond yields and that "there is very limited upside in the US equity market over the next couple of months".

The momentum in the technology sector which has seen the technology-driven Nasdaq composite index outperform the blue chips in the past few sessions appeared *to falter yesterday.* After flirting with its all-time high, achieved in January, the Nasdaq fell 2.31 to 1371.44.

Financial stocks continued to suffer from the uncertainty over longer term rates which has dogged them since Tuesday. Bank of Boston was down $1⅛ or 1.5 per cent to $73⅞.

Activity in the US aerospace companies was mixed. Boeing fell $2¼ or 2 per cent to $100¼ after the European Union expressed concerns over competition. US Airways rebounded very slightly by $¼ to $35 after suffering an 8 per cent fall when British Airways sold its entire 18 per cent stake on Wednesday.

Shares in Hartford Life, the insurance group, traded at a 15 premium to the flotation price as they made their debut. The shares traded at $32⅝, valuing the group at $848m.

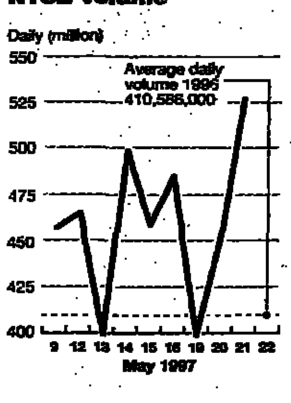
NYSE volume was relatively muted at 244.59m shares traded.

TORONTO ignored the weak start on Wall Street to move higher after a morning of mostly mixed, light trading. At noon, the 300 composite index was up 13.57 at 6,320.70.

Northern Telecom ran into profit-taking after Wednesday's near 6 per cent surge and the shares slipped $1.20 to $115. News of a Swedish contract cut no ice with Bombardier, with the shares off 55 cents at $27.95.

Royal Bank of Canada added 10 cents to C$59.90, but Bank of Montreal retreated 15 cents to C$53.75.

NYSE volume



Santiago strongly ahead

SANTIAGO moved strongly ahead at the opening following the announcement that a 37 per cent stake in the Santa Isabel supermarket chain was to change hands for $230m. At midsession, the IPSA index was 1.33 or 1.1 per cent higher at 123.25. The stake is being acquired by the Velox Group of Argentina.

MEXICO CITY also gained ground, helped by a further strong performance from Televisa following news of the group's cost-cutting plans. By midsession, the shares were 5 pesos higher at 114 pesos, helping the IPC index to push deeper into record higher territory with a gain of 4.93 to 3,979.35.

BUENOS AIRES had a mixed morning, overshadowed by modest profit-taking in the wake of Wednesday's strong rise which lifted the Merval index by 1 4 per cent. At midsession the Merval was 0.32 better at 765.03.

CARACAS too showed signs of running out of steam as the previous day's 1.3 per cent improvement gave way to a rise of just 23.23 to 6,671.14 on the IBC index at midsession in what brokers described as relatively low trading activity.

South Africa gives up gains

Shares in Johannesburg swung back on to the downside with the all-share index erasing the whole of Wednesday rally to close 31.1 lower at 7,096.1.

There was some excitement among financials following strong results from Investec, but both industrials and golds ended easier. Industrials came off 31.1 to 7,096.1 and the golds index gave up 8.6 to 1,205.5.

Investec jumped R6 to R156 after turning in earnings well ahead of expectations. Absa rose 15 cents to R30. But De Beers came off 75 cents to R159.50 and Anglo American R1 to R267.

Among golds, Western Deeps lost 50 cents to R120.50 and Vaal Reefs came off a similar amount to R269.50.

Paris suffers bout of pre-election nerves

EUROPE

Leading bourses moved uniformly lower, unsettled by a dull day for bonds and a weak start on Wall Street.

PARIS broke out into election sweats with doubts about the outcome to Sunday's first round voting rising to the surface and sending share prices sliding across the board.

Volume tailed away to 11.6m shares and genuine selling pressure was said to have been minimal. But sentiment was clearly rattled by *rumours of an inconclusive* outcome at the polls on Sunday, and at the close the CAC 40 index was off 44.70 at 2,741.65.

Oil stocks were one of the few defensive sectors. Total was slightly easier but Elf Aquitaine surged FFr15 or 2.5 per cent to FFr613 after a *successful placing* of 2.5m shares removed stock overhang concerns.

Mostly, though, the market was ankle deep in red ink. Motors led the way down with Renault off FFr6.7 or 4.3 per cent at FFr147.8 and Peugeot down FFr18 at FFr629. Michelin shed FFr15.4 to FFr333.6. Promodes' analysts meeting was said to have been relatively upbeat on trading but cool of merger hopes. The shares fell FFr36 to FFr2,098.

Elf Aquitaine

FRANKFURT opened confidently with a burst up to 3,617 on the Dax index but drifted steadily lower from mid-morning onwards. Volume was dull and the Dax ended down 24.96 at an Ibis indicated 3,575.44.

Lufthansa was the day's backmarker, sliding DM1.35 or 4.6 per cent to DM27.90 as investors turned against airline stocks in the wake of KLM's unsettling results statement. And there was clear softness among index heavyweights like Deutsche Bank and Volkswagen, off DM2.10 to DM96.65 and DM17.50 to DM1,127 respectively.

Karstadt found itself caught up in takeover talk, rising DM15 to DM589 on hopes that stake disposals by the German banks (between them Deutsche Bank and Dresdner hold 20 per cent of the group) would lead to an outright bid for the retailer.

Among second liners, Philipp Holzmann rose DM39 to DM511 on improved trading and the hint of a return to dividends next year.

AMSTERDAM traded lower as both KLM and Elsevier ran into severe squalls. The AEX index closed off 0.62 at 808.31.

KLM lost height as analysts pored over the airline's trading trends, *notably the* fierce pressure on operating margins. The shares fell Fl 2 to Fl 57.80. News of industry database litigation in the US cast a cloud over Elsevier. The shares fell 70 cents to Fl 33 in volume of 9.9m shares.

Hoogovens stood out on the upside. A leading US broker was said to have initiated coverage of of the steel group with a target price of Fl 115. The shares rose Fl 3.80 or 4.1 per cent to Fl 96.80.

ZURICH took a pause to consolidate after Wednesday's strong gains and the SMI index registered a loss of 2.2 at 5,176.4.

Lehman Brothers, which reduced its recommendation from overweight to underweight, said that the market no longer stood out as offering value. "The rally since the start of the year has removed the valuation case for the market, while earnings estimates have moved to reflect a stronger dollar," it said.

The banking sector lost some of its recent impetus but still outperformed the market. CS Group, a sectoral laggard, put in a strong showing with a rise of SFr2.75 to SFr182.50. CS Group said after the bourse closed that Siemens of Germany would pay SFr285 a share for its Elektrowatt stake.

Adecco jumped SFr22 to SFr529 as Goldman Sachs raised its rating on the job recruitment group to market performer. Yesterday's rise took Adecco's advance since the start of the year to 59 per cent.

Among the day's other star performers, Swiss Re rose SFr49 to SFr1,955 on recommendations, while SAirGroup, formerly Swissair, was SFr55 higher at SFr1,434 as the company forecast a markedly higher 1997 operating profit.

MILAN turned back as expectations of an imminent cut in domestic interest rates receded. The Comit index lost 5.05 at 779.24.

A busy banking sector featured a late L84 jump to L1,311 in Banca di Roma on rumours that it might be the target of a merger bid from BCI. Its offer to form an alliance with Cariplo, the savings bank, was spurned on Monday. BCI lost L60 to L3,545 but Ambroveneto, which sank after the announcement of its link with Cariplo, picked up L83 to L4,348 as investors reassessed the deal.

Among Wednesday's record-setting Nordic markets, only **OSLO** managed to extend its advance, helped by strong performances in Kvaerner and Norsk Hydro.

The total index turned back from a day's high of 1,151.75 but still finished up 6.30 at a record 1,146.97 in heavy turnover of NKr1.5bn.

Kvaerner, the Anglo-Norwegian construction and engineering group, saw its A shares climb NKr7 to NKr400.

Hydro, Norway's largest listed company with a 20 per cent weighting on the total index, climbed NKr4 to NKr364.

ATHENS climbed 2.7 per cent, helped by a sharp rise in banks and a wide range of industrials which brokers justified on grounds of improved profitability and easing interest rates.

The general index climbed 44.84 to 1,683.65 in turnover of Dr33bn, boosted by several large blocks, mostly in the banks. Among the large capitalisation stocks, National Bank climbed Dr2,300 to Dr37,500 and OTE was Dr195 higher at Dr6,700.

ISTANBUL dropped 2.5 per cent in thin trade, still unsettled by the political outlook and anxiously awaiting two key meetings next week involving senior generals and the Islamist prime minister, Mr Necmettin Erbakan. The IMKB National-100 index lost 38 at 1,471 after a low of 1,461.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

May 22 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2370.29	2370.41	2370.18	2369.24	2368.63	2368.57	2368.66	2368.29
FTSE Eurotrack 200	2383.79	2385.85	2383.47	2385.92	2385.60	2387.48	2384.92	2385.22

	May 21	May 20	May 19	May 16	May 15
FTSE Eurotrack 100	2384.38	2337.53	2342.61	2352.25	2328.95
FTSE Eurotrack 200	2385.14	2339.41	2375.03	2362.24	2387.57

Base value 1000 (26/10/90) [illegible]
© FTSE International Limited 1997 All rights reserved.

Taipei lifted by demand for electronics sector

ASIA PACIFIC

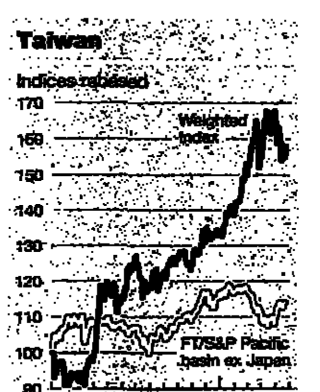
Heavy demand for leading electronics shares pushed **TAIPEI** strongly higher, lifting the weighted index 121.68 or 1.5 per cent to 8,144.57.

The index touched 8,157.80 during the session, its best *level for more than two* weeks. But activity remained dull, with turnover stopping short at T$90bn.

The upturn in sentiment stemmed from talk of a profits recovery for the electronics sector in the third quarter of the year on an improving exports base. United Microelectronics Corp gained T$3 or 4.4 per cent to T$70.5.

Plastics were strong, too, with Nan Ya Plastics advancing T$2.5 or 3.6 per cent to T$71.5. China Steel was the most actively traded stock, adding 40 cents at T$30.5 on news of price increases.

Taiwan



TOKYO ended marginally higher after a see-saw session. Concern over currency volatility prompted foreign selling of blue-chip exporters, but there was local bargain hunting among domestic demand-driven issues and in the shares of companies reporting strong earnings, *writes Gwen Robinson*.

The Nikkei 225 average rose 35.41 to 19,877.39 after moving between 19,687.37 and 19,938.89. Traders noted uncertainty in the market following the dollar's recent swings against the yen. Leading exporters stayed under selling pressure and suffered also from recent *downgrades by some foreign* brokers. The afternoon recovery in futures prices, however, prompted arbitrageurs to buy cash stocks, which reversed a decline in the 225 index.

Many investors were hesitant ahead of today's earnings announcements by leading commercial banks for the year to March, which will provide further indications of the health of Japan's financial system.

Volume fell from 436m shares to an estimated 407m. Declines narrowly led advances 564 to 548 with 149 unchanged. The Topix index of all first-section stocks added 0.94 to 1,476.93 and the capital-weighted Nikkei 300 was off 0.10 at 285.03.

In London, the ISE/Nikkei 50 index rose 12.54 to 1,544.79.

Leading carmakers continued to retreat on exchange-rate uncertainty, falling more than 1.5 per cent as a group. Toyota and Honda, in particular, suffered from reports that they would maintain exports to the US at last year's level. Toyota fell Y140 to Y3,340 and Honda, Y170 to Y3,310.

Electricals and high-technology issues were heavily sold. Sony fell Y150 to Y9,400, TDK Y160 to Y8,430 and Hitachi Y50 to Y1,200. Pioneer Electronic, however, added Y10 to Y2,580 following its earnings announcement of a return to profit in the year to March from the previous year's loss.

Yaohan Japan, the financially troubled supermarket operator, fell Y6 to Y315 following Wednesday's announcement of a sharp downward revision in profit forecasts.

Many other retailers and domestic demand-driven issues, however, fared well. Ito-Yokado climbed Y110 to Y6,810, Daimaru added Y10 to Y650 and Takashimaya, Y20 to Y1,590. KDD led telecommunications issues, rising Y470 to the year's high of Y8,020 in spite of yesterday's *poor earnings report.* Tokyo Electric Power, which will benefit from lower costs for imported oil on the stronger yen, rose Y40 to Y2,290. Among issues to rise on strong earnings announcements, Mitsubishi Heavy Industries added Y10 at Y857.

In Osaka, the OSE average fell 116.26 to 20,640.13 and volume rose to 20.3m shares.

BANGKOK swung back on to the downside on worries about high bank interest rates. The SET index ended off 14.80 or 2.5 per cent at 581.39 on Bt5.6bn turnover.

Dealers said both local and foreign investors took profits following a three-day rally of almost 7 per cent.

MANILA continued to climb, with the composite index gaining 47.72 to 2,586.69 for a two-day rise of 2.5 per cent. Dealers cited bargain hunting late in the session for the advance, achieved on dull volume.

The main action was in the leaders. Ayala Land rose 0.75 pesos to 18.75 pesos and Meralco 7 pesos to 127 pesos. C & P Homes stayed weak, slipping 0.60 pesos to an all-time low of 8.50 pesos on property worries.

KUALA LUMPUR saw strong demand from retail investors, including syndicates, for secondary shares on Thursday, while blue chips attracted moderate interest from local and regional funds.

By the close, the composite index was up 12.41 or 1.2 per cent to 1,071.03 while the Second Board index of smaller-capitalisation shares surged 3.7 per cent.

SINGAPORE regained momentum late in the day to end higher as on selected demand for blue chips and as some banks recovered after recent losses.

The Straits Times Industrial index finished 7.72 higher at 2,061.71, as sentiment was also helped by Kuala Lumpur's strong performance.

HONG KONG was broadly lower on profit-taking although some recent underperformers turned higher as investors sought out bargains. The Hang Seng index ended 23.52 lower at 14,212.00, in turnover that fell to HK$14.2.

Analysts said that Beijing's latest crackdown on Chinese markets – a ban on state enterprises and listed companies from speculative stock trading – also dampened sentiment. The hard currency **SHANGHAI B** index tumbled 5.592 or 6.3 per cent to 82.583 and its **SHENZHEN** counterpart dropped 13.63 or 8.3 per cent to 150.86.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY MAY 21 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MAY 20 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	234.37	1.7	210.74	169.25	206.53	199.02	0.4	3.85	230.47	207.61	165.60	203.08	198.19	234.37	188.44	204.41
Austria (24)	197.38	1.4	177.48	142.54	173.94	173.89	1.4	1.86	194.58	175.28	139.81	171.46	171.41	197.38	174.70	188.65
Belgium (26)	249.72	0.8	224.55	180.33	220.06	215.42	0.8	3.32	247.68	223.11	177.98	218.24	213.66	249.72	206.70	210.65
Brazil (30)	258.50	0.4	232.44	186.67	227.79	508.51	0.5	1.41	257.47	231.93	185.00	226.87	506.24	258.50	162.66	168.97
Canada (113)	204.96	1.4	184.30	148.01	180.61	202.81	0.9	1.92	202.05	182.01	145.18	178.04	200.89	204.96	154.12	164.64
Denmark (32)	389.86	0.1	350.37	281.38	343.37	342.04	0.1	1.48	389.42	350.79	279.80	343.14	341.87	389.86	292.69	294.38
Finland (26)	275.17	2.1	248.33	199.43	243.36	296.90	2.4	1.54	270.48	243.68	194.35	238.34	289.89	276.17	186.67	192.67
France (91)	232.28	1.2	208.86	167.73	204.69	207.99	1.2	2.72	229.54	206.78	164.93	202.26	205.56	232.24	186.94	195.47
Germany (59)	212.87	1.4	191.50	153.79	187.67	187.67	1.4	1.51	210.01	189.18	150.89	185.05	185.05	213.45	167.18	169.67
Hong Kong (66)	505.95	0.2	454.94	365.36	445.85	502.64	0.2	3.00	504.83	454.76	362.73	444.83	501.58	514.49	407.55	434.51
Indonesia (27)	223.30	0.2	200.78	161.25	196.77	534.59	0.2	1.71	222.78	200.68	160.07	196.30	533.81	[illegible]	[illegible]	[illegible]
Ireland (16)	347.05	0.0	312.06	250.61	305.82	322.80	1.3	3.02	346.90	312.50	249.26	305.68	318.65	350.96	270.08	280.08
Italy (59)	91.93	0.8	82.66	66.38	81.01	114.51	0.7	2.19	91.23	82.18	65.56	80.39	113.67	98.32	73.26	83.48
Japan (485)	132.05	-2.5	118.74	95.35	116.37	95.35	-2.0	0.82	135.36	121.94	97.26	119.28	97.28	150.25	127.57	157.82
Malaysia (107)	517.97	0.0	465.75	374.04	456.44	498.82	0.0	1.35	518.08	466.69	372.25	456.51	498.82	560.85	510.10	560.58
Mexico (27)	1435.01	0.7	1290.34	1036.26	1264.54	12336.01	0.8	1.22	1425.08	1283.72	1023.94	1255.70	12292.53	1445.68	1110.35	1318.94
Netherland (19)	376.81	2.1	338.82	272.10	332.04	327.71	2.1	2.39	368.99	332.40	265.13	325.14	320.96	376.81	279.88	298.73
New Zealand (14)	88.07	0.7	79.18	63.60	77.61	87.24	0.2	4.28	87.48	78.78	62.84	77.06	87.09	95.80	75.84	79.96
Norway (41)	308.80	1.9	277.67	222.99	272.12	295.24	1.8	2.09	303.00	272.94	217.71	266.99	290.15	321.23	245.03	245.28
Philippines (22)	151.88	2.1	136.56	109.68	133.85	199.65	2.1	0.93	148.80	134.04	106.91	131.11	195.55	-	-	-
Singapore (42)	389.69	0.0	350.40	281.40	343.40	297.00	0.0	1.17	389.85	351.18	280.12	343.52	297.00	448.01	360.09	411.00
South Africa (44)	360.49	0.5	324.14	260.32	317.68	351.25	0.3	2.43	358.57	323.01	257.64	315.96	350.09	370.12	301.49	353.60
Spain (35)	255.72	2.3	229.94	184.66	225.34	276.57	2.4	2.37	249.95	225.16	179.59	220.24	270.12	255.72	171.91	178.24
Sweden (49)	454.02	1.8	417.24	335.08	408.90	518.29	1.2	1.89	458.94	411.62	328.32	402.64	511.84	464.02	334.46	351.69
Switzerland (35)	298.19	1.3	268.13	215.33	261.01	259.41	1.8	1.29	292.28	263.29	210.01	257.54	254.80	298.19	226.36	232.31
Thailand (43)	67.14	4.9	60.37	48.48	59.16	65.74	5.4	4.74	64.03	57.68	46.00	56.42	62.40	180.09	59.76	177.81
United Kingdom (211)	302.07	0.9	271.62	218.13	266.18	271.62	0.7	3.66	299.40	269.71	215.13	263.82	269.71	303.18	229.63	232.71
USA (652)	339.85	-0.2	305.40	245.27	299.30	339.85	-0.2	1.80	340.38	306.62	244.57	299.93	340.38	340.47	254.79	274.20
Americas (822)	310.91	-0.1	279.57	224.52	273.98	281.57	-0.1	1.79	311.30	280.42	223.67	274.30	282.05	311.30	233.09	250.60
Europe (725)	264.79	1.2	238.09	191.21	233.33	242.29	1.2	2.62	261.58	235.62	187.94	230.48	239.39	264.79	204.71	208.99
Nordic (150)	398.46	1.4	358.29	287.74	351.13	386.60	1.3	1.85	392.82	353.86	282.25	346.14	381.66	398.46	291.45	300.19
Pacific Basin (882)	150.13	-1.7	134.99	108.41	132.30	139.23	-1.4	1.31	152.75	137.60	109.75	134.60	140.81	170.85	127.18	170.62
Euro-Pacific (1607)	197.96	-0.1	178.00	142.95	174.44	186.40	0.0	2.04	198.18	178.51	142.38	174.61	186.37	198.18	173.55	188.49
North America (765)	331.43	-0.1	298.02	239.34	292.06	330.59	-0.2	1.80	331.69	298.97	238.47	292.45	331.12	331.69	248.85	267.41
Europe Ex. UK (514)	238.65	1.4	214.59	172.33	210.30	220.84	1.5	2.04	235.29	211.95	169.06	207.33	217.58	238.65	185.65	190.91
Pacific Ex. Japan (397)	306.16	0.7	275.30	221.09	269.78	265.55	0.3	2.81	304.19	274.02	218.57	268.04	264.75	320.65	268.97	290.17
World Ex. US (1821)	201.24	0.0	180.96	145.32	177.33	165.63	0.1	2.02	201.27	181.30	144.61	177.35	165.52	201.27	178.94	187.78
World Ex. UK (2262)	239.72	-0.2	215.56	173.11	211.25	209.91	-0.1	1.73	240.24	216.41	172.62	211.69	210.21	240.24	199.58	212.64
World Ex. Japan (1988)	303.17	0.4	272.61	218.93	267.16	291.57	0.3	2.14	302.03	272.07	217.02	266.14	290.60	303.17	233.10	245.84
The World Index (2473)	245.05	-0.1	220.35	176.98	215.94	215.55	-0.1	1.92	245.32	220.99	176.27	216.15	215.68	245.32	202.32	214.49

Latest prices were unavailable for this edition. Markets closed 21/5/97: Malaysia and Singapore.